

[H.A.S.C. No. 113-25]

HEARING  
ON  
NATIONAL DEFENSE AUTHORIZATION ACT  
FOR FISCAL YEAR 2014  
AND  
OVERSIGHT OF PREVIOUSLY AUTHORIZED  
PROGRAMS  
BEFORE THE  
COMMITTEE ON ARMED SERVICES  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED THIRTEENTH CONGRESS  
FIRST SESSION  
—  
FULL COMMITTEE HEARING  
ON  
**BUDGET REQUEST FROM THE  
DEPARTMENT OF DEFENSE**

HEARING HELD  
APRIL 11, 2013



—  
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# CONTENTS

## CHRONOLOGICAL LIST OF HEARINGS

2013

	Page
HEARING:	
Thursday, April 11, 2013, Fiscal Year 2014 National Defense Authorization Budget Request from the Department of Defense .....	1
APPENDIX:	
Thursday, April 11, 2013 .....	63

### THURSDAY, APRIL 11, 2013

#### FISCAL YEAR 2014 NATIONAL DEFENSE AUTHORIZATION BUDGET REQUEST FROM THE DEPARTMENT OF DEFENSE

##### STATEMENTS PRESENTED BY MEMBERS OF CONGRESS

McKeon, Hon. Howard P. "Buck," a Representative from California, Chairman, Committee on Armed Services .....	1
Smith, Hon. Adam, a Representative from Washington, Ranking Member, Committee on Armed Services .....	2

##### WITNESSES

Dempsey, GEN Martin E., USA, Chairman, Joint Chiefs of Staff .....	10
Hagel, Hon. Chuck, Secretary of Defense, U.S. Department of Defense .....	3

##### APPENDIX

###### PREPARED STATEMENTS:

Dempsey, GEN Martin E. ....	85
Hagel, Hon. Chuck .....	71
McKeon, Hon. Howard P. "Buck" .....	67
Smith, Hon. Adam .....	69

###### DOCUMENTS SUBMITTED FOR THE RECORD:

Letter from Secretary Hagel to Mr. Bishop .....	99
Letter from Secretary Hagel to Mr. Turner .....	101
Summary on TMA Demonstration Program Implementation since January 2013 .....	102

###### WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING:

Mr. Bishop .....	107
Mr. Larsen .....	107
Mr. Turner .....	107
Mr. Wittman .....	107

###### QUESTIONS SUBMITTED BY MEMBERS POST HEARING:

Mr. Barber .....	123
Ms. Bordallo .....	118
Mr. Bridenstine .....	128
Mr. Carson .....	125
Mr. Forbes .....	113

IV

	Page
QUESTIONS SUBMITTED BY MEMBERS POST HEARING—Continued	
Mr. Johnson .....	122
Mr. Kline .....	116
Mr. Langevin .....	114
Mr. McKeon .....	111
Mr. Miller .....	114
Mr. Nugent .....	127
Mr. Rogers .....	118
Ms. Sanchez .....	113
Mr. Turner .....	115
Mrs. Walorski .....	129

**FISCAL YEAR 2014 NATIONAL DEFENSE AUTHORIZATION BUDGET REQUEST FROM THE DEPARTMENT OF DEFENSE**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
*Washington, DC, Thursday, April 11, 2013.*

The committee met, pursuant to call, at 10:00 a.m., in room 2118, Rayburn House Office Building, Hon. Howard P. "Buck" McKeon (chairman of the committee) presiding.

**OPENING STATEMENT OF HON. HOWARD P. "BUCK" MCKEON,  
A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES**

The CHAIRMAN. Committee will come to order.

Good morning, ladies and gentlemen. The House Armed Services Committee meets today to receive testimony on the fiscal year 2014 budget request for the Department of Defense. I want to welcome Secretary Hagel to his first appearance with us.

We are happy to have you here, Mr. Secretary.

Secretary HAGEL. Mr. Chairman.

The CHAIRMAN. General Dempsey, thank you for being here, and Secretary Hale. We appreciate all of you and the great work that you do for our Nation.

Our job on this committee is to weigh inputs from senior military leaders so that we may fulfill our constitutional obligation to provide for the common defense. Two months ago, General Dempsey told this committee that the military could not absorb any further cuts without jeopardizing the missions that we ask of them. Today I hope to hear how the President's budget, which asks for another \$120 billion out of defense, will impact our military posture and readiness.

Specifically, I would like to hear which missions we must now abandon, reduce, or cancel outright to comply with the President's budget, because I don't see the world getting safer, in fact, as recent events in North Korea, Iran, Syria, Africa attest. In fact, even as our forces draw down in Afghanistan, we are negotiating an agreement to maintain an enduring presence in that nation, which I strongly support.

I am also curious why, after three rounds of cuts to our Armed Forces in as many years, our troops are again being asked to pay the bill for out-of-control spending in Washington.

Carl Vinson, for whom this room is named, said a country does not need a navy of one strength when she is prosperous and a navy of another size when there is an economic depression. I believe that sentiment applies to all of our Armed Forces. It was true when

Vinson said it during the Great Depression, and it is true today during the great recession.

With that in mind, the budget we received asks us to take another \$120 billion from the military and offers no solutions to repair the damage being done by sequestration this year. This is not simply a 2017 problem. I hope to hear how we can resolve the stark differences between the President's budget request and the President's national security strategy.

Margaret Thatcher, who we lost this week, said during her time as prime minister the defense budget is one of the very few elements of public expenditure that can truly be described as essential. Our charge is to provide that essential security to the American people and by doing so assure our allies. I look forward to our witnesses' insights as we move forward through this hearing.

Mr. Smith.

[The prepared statement of Mr. McKeon can be found in the Appendix on page 67.]

**STATEMENT OF HON. ADAM SMITH, A REPRESENTATIVE FROM WASHINGTON, RANKING MEMBER, COMMITTEE ON ARMED SERVICES**

Mr. SMITH. Thank you, Mr. Chairman, and thank you for this hearing. And also thank you for your great leadership on the question of our budget and national security. It has been a very challenging time, and I think you have done an excellent job of bringing attention to those challenges and to what it is doing to our defense budget and to our ability to provide national security. I appreciate the hearings and your leadership, and I certainly thank our witnesses today.

Secretary Hagel, welcome to your first House committee hearing. We appreciate you taking the job. Not an easy time to do it.

General Dempsey, you have been here many times before, I appreciate your leadership.

Under Secretary Hale is the guy who has to try to figure out the money. You have had a fascinating job the last couple of years.

Because as is obvious, we have many national security challenges. Certainly we have been out of Iraq for a couple of years now, we are drawing down in Afghanistan, but Afghanistan remains, the challenges of the Afghanistan-Pakistan region remain. We have all heard what North Korea is up to, what Iran is up to. Al Qaeda is still out there in many places, in Yemen, in Somalia, growing in Mali. It is not like we have reached the point where you can think about anything approaching a peace dividend, where our national security challenges have somehow lessened in the last couple of years. They have changed in some ways, but they are still great and still require a very thoughtful and comprehensive response to protect the national security interests of this country.

At the same time, our budget is a mess. You have to meet all of what I just described without even knowing within tens of billions, if not hundreds of billions of dollars how much money you are going to have from year to year.

Now I will disagree slightly with the chairman on the fact that somehow the President's budget is what is reflective of that challenge. It is really all of us, it is Congress. Congress passed seques-

tration, allowed it to happen. The President, yes, signed it. All three, House, Senate, President, have got to come together to address our long-term budget challenges so that at a minimum we can give not just the Department of Defense, but our entire government some stability so they have some idea from month to month how much money they are going to have. Your ability to plan is just destroyed when in January we say, well, we are delaying sequestration for 2 months, we hope we will fix it, in March it hits, and now we sit here in April trying to absorb it and wondering if it is going to continue into 2014.

So let me just close by saying, I don't think it is any one party's fault, President, House, Senate, but all three pieces of the puzzle have got to come together and recognize that absent a clear, long-term decision we are having a devastating impact on many aspects of the government, but certainly on our national security, which is supposed to be paramount. We cannot plan any strategy when we do not know how much money we are going to have from month to month.

So, again, I applaud the chairman for urging that same reconciliation to come together, and I look forward to working with him to find a solution to that. And today I look forward to hearing from our witnesses about how they are going to deal with those challenges. Because make no mistake about it, as challenging as that all is, we will deal with it. We will make the decisions, we will protect this country. We have certainly faced tougher times in the past and came through it. It is a challenge, but we will meet it, and I look forward to hearing from our witnesses today about their plans to do just that.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Smith can be found in the Appendix on page 69.]

The CHAIRMAN. Mr. Secretary.

**STATEMENT OF HON. CHUCK HAGEL, SECRETARY OF  
DEFENSE, U.S. DEPARTMENT OF DEFENSE**

Secretary HAGEL. Chairman McKeon, Ranking Member Smith, members of the committee, thank you for this opportunity to discuss the President's fiscal year 2014 budget request for the Department of Defense.

Allow me to express my appreciation also to this committee for its continued support for our men and women in uniform and our entire civilian workforce. These people are doing tremendous work, and they are making great sacrifices, along with their families, as they have for more than 11 years. Eleven years our Nation has been at war. Whether fighting in Afghanistan, patrolling the world's sea lanes, standing vigilant on the Korean Peninsula, supplying our troops around the world or supporting civil authorities when natural disasters strike, they are advancing America's interests at home and abroad. Their dedication and professionalism are the foundation of our military strength. As we discuss numbers, budgets, and strategic priorities, we will not lose sight of these men and women serving across the globe.

As you all know so very well, their well-being depends on the decisions that we all make here in Washington. Today, the Depart-

ment of Defense faces the significant challenge of conducting long-term planning and budgeting at a time of considerable uncertainty, both in terms of the security challenges we face around the world and the levels of defense spending we can expect here at home.

Even as the military emerges and recovers from more than a decade of sustained conflict in Iraq and Afghanistan, it confronts an array of complex threats of varying vintage and degrees of risk to the United States. These include the persistence of violent extremism throughout weak states and ungoverned spaces in the Middle East and North Africa; the proliferation of dangerous weapons and materials; the rise of new powers competing for influence; the risk of regional conflicts which could draw in the United States; faceless, nameless, silent, and destructive cyber attacks; the debilitating and dangerous curse of human despair and poverty, as well as the uncertain implications of environmental degradation.

Meanwhile, the frenetic pace of technological change and the spread of advanced military technology to state and nonstate actors pose an increasing challenge to America's military.

This is the strategic environment facing the Defense Department as it enters a third year of flat or declining budgets. The onset of these resource constraints has already led to significant and ongoing belt tightening in the military. That is military modernization, our force structure, personnel costs and overhead expenditures. It has also given us an opportunity to reshape the military and reform defense institutions to better reflect 21st century realities, as I outlined in the speech last week at the National Defense University.

The process began under the leadership of Secretary Gates, who canceled or curtailed more than 30 modernization programs and trimmed overhead costs within the military services and across the defense enterprise. These efforts reduced the Department's topline by \$78 billion over a 5-year period, as detailed in the Department's fiscal year 2012 budget plan.

The realignment continued under Secretary Panetta, who worked closely with the President and the Joint Chiefs of Staff to craft new defense strategic guidance and a fiscal year 2013 defense budget plan which reduced the Department's topline by \$487 billion over the course of a decade.

The President's request of \$526.6 billion for the Department of Defense's base budget for fiscal year 2014 continues to implement the President's defense strategic guidance and enhances the Department's efforts at institutional reform. Most critically, it sustains the quality of the All-Volunteer Force and the care we provide our service members and their families, which again, as you all know, underpins everything we do in this organization.

Before discussing the particulars of this budget request, however, allow me to address the profound budget problems facing the Department in fiscal year 2013 and beyond as a result of sequester. These challenges have significantly disrupted operations for the current fiscal year and greatly complicated efforts to plan for the future. The Congress and the Department of Defense have a responsibility, an absolute obligation, to work together to find these answers because we have, all of us, a shared responsibility, as the chairman and the ranking member have noted, to protect our na-

tional security. DOD [Department of Defense] is going to need the help of this committee and Congress to help manage through this uncertainty.

The fiscal year 2013 DOD appropriations bill enacted by the Congress last month addressed many of these urgent problems by allocating DOD funding more closely in line with the President's budget request, giving the Department authorities to start new programs and allowing us to proceed with important military construction projects. Nonetheless, the bill still left in place the deep and abrupt cuts associated with sequester, as much as \$41 billion in spending reductions over the next 6 months.

Military pay and benefits are exempt from sequester, and we made a decision to shift the impact of sequester away from those serving in harm's way. That means the cuts fall heavily on DOD's operations, maintenance, and modernization accounts that we use to train and equip those who will deploy in the future. Furthermore, the military is experiencing higher operating tempos and higher transportation costs than expected when the budget request was formulated more than a year ago.

As a result of all these factors, the Department is now facing a shortfall in our operation and maintenance accounts for fiscal year 2013 of at least \$22 billion in our base budget for Active forces. In response, the Department has reduced official travel, cut back sharply on facilities maintenance, imposed hiring freezes, and halted many other important but lower priority activities. However, we will have to do more. Large, abrupt, and steep across-the-board reductions of this size will require that we continue to consider furloughing civilian personnel in the months ahead.

The cuts will fall heavily on maintenance and training, which further erodes the readiness of the force and will be costly to regain in the future. And I know General Dempsey will address some of this in particular.

As the service chiefs have said, we are consuming our readiness. Meanwhile, our investment accounts in the defense industrial base are not spared damage as we also take indiscriminate cuts across the areas of this budget.

We will continue to need the strong partnership of this committee to help us address these shortfalls. If the sequester-related provisions of the Budget Control Act of 2011 are not changed, fiscal year 2014 funding for national defense programs will be subject to a steeply reduced cap, which would further cut DOD funding by roughly \$52 billion. And if there is no action by the Congress and the President, roughly \$500 billion in reductions to defense spending would be required over the next 9 years.

As an alternative, the President's budget proposes some \$150 billion in additional defense savings over the next decade. These cuts are part of a balanced package of deficit reduction. Unlike sequester, these cuts are largely backloaded, occurring mainly in the years beyond fiscal year 2018, which gives the Department time to plan and implement the reductions wisely and responsibly, anchored by the President's defense strategic guidance.

The President's \$526.6 billion fiscal year 2014 request continues to balance the compelling demands of supporting troops still very much at war in Afghanistan, protecting readiness, modernizing the

military's aging weapons inventory and keeping with the President's strategic guidance, and sustaining the quality of the All-Volunteer Force. Today's budget request also contains a placeholder request for overseas contingency operations, OCO, at the fiscal year 2013 level, which is \$88.5 billion. This submission does not include a formal OCO request because Afghanistan force level and deployment decisions for this year were delayed in order to provide commanders enough time to fully assess requirements. We will soon be submitting an OCO budget amendment with a revised spending level and account level detail.

The following are the major components of the fiscal year 2014 \$526.6 billion base budget request. Military pay and benefits, including TRICARE and retirement costs, \$170.2 billion; that represents 32 percent of the total base budget. Operating costs, including \$77.3 billion for civilian pay, total \$180.1 billion, representing 34 percent of the total budget. Acquisitions and other investments, procurement, research, development, tests and evaluation, and new facilities construction, which represents 33 percent of the budget at \$176.3 billion.

The budget presented today at its most basic level consists of a series of choices that reinforce each of the following complementary goals. Making more disciplined use of defense resources. This budget continues the Department's approach of the last several years to first target growing costs in areas of support, acquisition, and pay and benefits before cutting capabilities and force structure. In order to maintain balance and readiness, the Department of Defense must be able to eliminate excess infrastructure as it reduces force structure. DOD has been shedding infrastructure in Europe for several years, and we are undertaking a review of our European footprint this year.

But we also need to look at our domestic footprint. Therefore, the President's fiscal year 2014 budget requests authorization for one round of base realignment closure, BRAC, in 2015. BRAC is a comprehensive and fair tool that allows communities a role in reuse decisions for the property and provides redevelopment assistance.

BRAC is imperfect. It is an imperfect process. And there are up-front costs for BRAC. The future year defense program adds \$2.4 billion to pay for those costs. But in the long term, there are significant savings. The previous five rounds of BRAC are saving \$12 billion annually, and those savings will continue.

We are also taking other important steps to cut back on support costs. We will institute a study of our military treatment facilities, including many hospitals and clinics that are currently underutilized. By the end of the year, we will have a plan in place that suggests how to reduce that underutilization while still providing high quality medical care for all of our forces and their families. This restructuring, coupled with a BRAC round and other changes, would permit us to plan on a cut in our civilian workforce that will comply with congressional direction.

We are also continuing our successful efforts to hold down military health costs. With the Department's proposed TRICARE benefit changes, our projected costs for fiscal year 2014 are about 4 percent lower than those costs in fiscal year 2012. That is a signifi-

cant turnaround compared to healthcare trends over the past decade.

Another important initiative is our effort to improve the Department's financial management and achieve auditable financial statements. I strongly support this initiative and will do everything I can to fulfill this commitment and the promises we have made to the Congress and the American taxpayer.

These and many other changes led to total savings of about \$34 billion in fiscal year 2014 to 2018, including \$5.5 billion in fiscal year 2014. However, we are concerned that these savings for more disciplined use of resources could be eroded by sequester as we are forced to make inefficient choices and drive up costs. Today, for example, we are being forced to engage in shorter and less efficient contracts and sharp cuts in units' buy sizes that will increase the unit costs of weapons.

In this budget, the Department has achieved \$8.2 billion in savings from weapons program terminations and restructuring. For example, by revising the acquisition strategy for the Army's Ground Combat Vehicle, the GCV, the Department will save over \$2 billion in development costs. In other cases, the Department used evolutionary approaches to develop new capabilities instead of relying on leap-ahead gains in technology.

To lessen the potential impact on local communities from the reductions in defense procurement, the Department is requesting an additional \$36 million in support of the Defense Industry Adjustment Program.

The Department is continuing to take steps to tighten the contract terms and reduce risk in our largest acquisition program, the F-35 Joint Strike Fighter. The fiscal year 2014 budget request includes \$8.4 billion for the Joint Strike Fighter program.

The cost of military pay and benefits are another significant driver of spending growth that must be addressed in the current fiscal environment. In this budget, the Department is submitting a new package of military compensation proposals that take into consideration congressional concerns associated with those from fiscal year 2013. These changes save about \$1.4 billion in fiscal year 2014 and a total of \$12.8 billion in fiscal year 2014 through 2018.

This package includes a modest slowing of the growth of military pay by implementing a 1 percent pay raise for service members in 2014. The Department is also seeking additional changes to the TRICARE program in fiscal year 2014 to bring the beneficiary's cost share closer to the levels envisioned when the program was implemented, particularly for working age retirees.

Today, military retirees contribute less than 11 percent of their total healthcare costs compared to an average of 27 percent when TRICARE was first fully implemented in 1996. Survivors of military members who died on Active Duty or medically retired members would be excluded from all TRICARE increases. Even after the proposed changes in fees, TRICARE will remain still a substantial benefit.

These adjustments to pay and benefits were among the most carefully considered and difficult choices in this budget. They were made with the strong support of the Joint Chiefs of Staff and senior enlisted leadership in recognition that in order to sustain these

important benefits over the long term without dramatically reducing the size or readiness of the force, these rising costs need to be brought under control. Spending reductions on the scale of the current drawdown cannot be implemented through just improving efficiency and reducing overhead. Cuts and changes to capabilities—force structure and modernization programs—will also be required. The strategic guidance issued in January 2012 set the priorities and the parameters that informed those choices, and the fiscal year 2014 budget submission further implements and deepens program alignment to this strategic guidance.

The new strategy calls for a smaller and leaner force. Last year we proposed reductions of about 100,000 in military end strength between fiscal year 2012 and fiscal year 2017. Most of those reductions occur in the ground forces and are consistent with the decision not to size U.S. ground forces to accomplish prolonged stability operations, while maintaining adequate capability should such activities again be required. By the end of fiscal year 2014, we will have completed almost two-thirds of the drawdown of our ground forces, and the drawdown should be fully complete by fiscal year 2017.

Increased emphasis on the Asia-Pacific and Middle East represents another key tenet of the new defense strategic guidance. This budget continues to put a premium on rapidly deployable, self-sustaining forces—such as submarines, long-range bombers, and carrier strike groups—that can project power, project power over great distance, and carry out a variety of missions. As part of the rebalance to the Asia-Pacific, the Department is expanding the Marine Corps presence in the region, including rotational deployments of Marine units to Australia. We continue to develop Guam as a strategic hub where we maintain a rotational bomber presence, among other capabilities.

The Department will stage its most capable forces in the region, including an F-22 squadron at Kadena Air Force Base in Japan. The Navy has deployed a Littoral Combat Ship to Singapore and is increasing and more widely distributing port visits in the Western Pacific. This new strategy not only recognizes the changing character of the conflicts in which the U.S. must prevail, but also leverages new concepts of operation enabled by advances in space, cyberspace, special operations, global mobility, precision strike, missile defense, and other capabilities. By making difficult trade-offs in lower priority areas, the fiscal year 2014 budget protects or increases key investments in these critical capabilities.

The high quality of our All-Volunteer Force continues to be the foundation of our military strength, and the fiscal year 2014 budget request includes \$137.1 billion for military personnel, as well as \$49.4 billion for military medical care. Together, these make up roughly one-third of our base budget. This budget seeks to ensure that our troops receive the training and equipment they need for military readiness and the world class support programs they and their families have earned.

However, as in other areas of the budget, the steep and abrupt cuts of sequester would harm these programs. Even with flat and declining defense budgets, this budget seeks to press ahead with the transition from a counterinsurgency-focused force to a force

ready and capable and agile of operating across a full range of operations across the globe.

The service budgets all fund initiatives that seek to return to full-spectrum training and preparation for missions beyond current operations in Afghanistan. The Department continues its work to understand and quantify readiness activities as we seek to maximize our preparedness for real world missions. We do not yet know the costs of fixing the readiness of the force following the 6 months of sequester cuts to training in this fiscal year. Therefore these costs are not included in the fiscal year 2014 budget.

The Department's budget submission makes clear that people are central to everything we do. While sequester cuts would, unfortunately, counter many of these initiatives, especially for our civilian workforce, the initiatives remain important statements of the intent in this budget.

The Department continues to support key programs in fiscal year 2014 that support service members and their families, spending \$8.5 billion on initiatives that include transition assistance and veteran's employment assurance, behavioral health, family readiness, suicide prevention, and sexual assault prevention and response.

The fiscal year 2014 budget is a reflection of DOD's best efforts to match ends, ways, and means during a period of intense fiscal uncertainty. It is a balanced plan that would address some of the Department's structural costs and internal budget imbalances while implementing the President's defense strategic guidance and keeping faith with our men and women in uniform and their families. It is obvious that significant changes to the Department's topline spending would require changes to this budget plan. The Department must plan for any additional reductions to the defense budget that might result from Congress and the administration agreeing on a deficit reduction plan. It must be prepared in the event that sequester level cuts persist for another year or over the long term.

As a result, I directed a Strategic Choices and Management Review in order to assess the potential impact of further reductions up to the level of full sequester. The purpose of this review is to reassess the basic assumptions that drive the Department's investment and force structure decisions. The review will identify the strategic choices and further institutional reforms that may be required, including those reforms which should be pursued regardless of fiscal pressures. It is designed to help understand the challenges, articulate the risks, and look for opportunities for reform and efficiencies presented by resource constraints.

Everything will be on the table during this review: roles and missions, planning, business practices, force structure, personnel and compensation, acquisition and modernization investments, and how we operate, and how we measure and maintain readiness. We have no choice. This review is being conducted by Deputy Secretary Carter, working with General Dempsey.

The service secretaries and service chiefs, Office of the Secretary of Defense principals, and combatant commanders are all serving as essential participants in this review. Our aim is to conclude this review, which is underway now, by May 31st. The results will in-

form our fiscal year 2015 budget request and will be the foundation for the Quadrennial Defense Review due to Congress in February of next year. It is already clear to me that achieving significant and additional budget savings without unacceptable risk to national security will require not just tweaking or chipping away at existing structures and practices, but, if necessary, fashioning entirely new ones that better reflect 21st century realities. That will require the partnership of Congress.

The fiscal year 2014 budget and the ones before it have made hard choices. In many cases, modest reforms to personnel and benefits, along with efforts to reduce infrastructure and restructure acquisition programs, met fierce political resistance and were not implemented. We are now in a different fiscal environment, dealing with new realities that will force us to more fully confront these tough, painful choices and to make the reforms we need to put this Department on a path to sustain our military strength for the 21st century. But in order to do that, we will need flexibility, time, and some budget certainty. We will also need to fund the military capabilities that are necessary for the complex security threats of the 21st century.

I believe the President's budget does that. With the partnership of Congress, the Defense Department could continue to find new ways to operate more affordably, efficiently, and effectively. However, multiple reviews and analysis show that additional major cuts, especially those on the scale and timeline of sequestration, would require dramatic reductions in core military capabilities or the scope of our activities around the world. As the executive and legislative branches of government, we have a shared responsibility to ensure that we protect our national security and America's strategic interests. Doing so requires that we make every decision on the basis of enduring national interests and make sure every policy is worthy of the service and sacrifice of our service members and their families.

Mr. Chairman, thank you.

[The prepared statement of Secretary Hagel can be found in the Appendix on page 71.]

The CHAIRMAN. Thank you Mr. Secretary.

General Dempsey.

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

General DEMPSEY. Thank you, sir.

Chairman McKeon, Ranking Member Smith, distinguished members of the committee, I welcome this opportunity to update you on the United States Armed Forces and to comment on the budget proposal for fiscal year 2014.

Obviously, this hearing comes at a time of extraordinary uncertainty. As resources decline, risks to our national security rise. It is in this context that I offer my perspective on how we can work together to sustain a balanced and peerless joint force.

One thing is certain: Our men and women in uniform are steadfast in their courage and in their devotion to duty. I saw it recently in their eyes in Afghanistan and when I had the honor of re-enlisting 10 of them this past Sunday at Bagram Airfield.

In Afghanistan, our forces are simultaneously fighting, transitioning, and redeploying. The Afghan military will soon take operational lead for security across the country. As they gain confidence, so, too, do the Afghan people. The coalition will remain in support as we transition to a sustainable presence beyond 2014. At every point along the way we must make sure that our force levels match the mission.

Our joint force has been vigilant elsewhere as well. We are deterring aggression and assuring our allies in the face of provocation by both North Korea and Iran. We are working with our inter-agency partners to defend against cyber attack. We are acting directly and with partners to defeat Al Qaeda. We are rebalancing to the Asia-Pacific and adapting our force posture to a new normal of combustible violence in North Africa and the Middle East. We are also working with others to keep Syria's complex conflict from destabilizing the region. We are ready with options if military force is called for, and can, and if military force can be used effectively, to secure our interests without making the situation worse.

We must also be ready with options for an uncertain and dangerous future. This budget was purpose built to keep our Nation immune from coercion. It aims to restore versatility to a more affordable joint force in support of our defense strategy. However, let me be clear about what it does not do. This budget does not reflect full sequestration. It does impose less reduction, and it gives us more time. However, uncertainty persists about what the topline will be for this or any other future budget. Nor does this budget include funds to restore lost readiness. We don't yet know the full impact or the cost to recover from the readiness shortfalls that we are experiencing this year.

As expected, we have already curtailed or canceled training for many units across all of the services for those not preparing to deploy. And we know that, from experience, that it is more expensive to restore readiness than to keep it. Recovery costs will compete now with the costs of building the joint force in the future.

This budget does, however, invest in our priorities. It keeps the force in balance. It supports our forward-deployed operations. It upholds funding for emerging capabilities, such as cyber. It funds those conventional and nuclear capabilities that are so critical and have proven so essential to our defense. It also lowers manpower costs, reduces excess infrastructure, and it makes health care more sustainable.

Most importantly, it protects investment in our real decisive advantage—in our people. It treats being the best led, the best trained, and the best equipped force as the non-negotiable imperative.

Never has our Nation sustained such a lengthy war solely through the service of an All-Volunteer Force. We must honor our commitments to them and to their families. For many veterans, returning home is a new frontline in the struggle with wounds seen and unseen. We must continue to invest in world-class treatments for mental health issues, traumatic brain injury, and combat stress. We also have a shared responsibility to address the urgent issue of suicide with the same devotion we have shown to protecting our soldiers, sailors, airmen, and marines in combat.

The risks inherent to military service must not include sexual assault. Sexual assault betrays the trust—the very trust—on which our profession is founded. We will pursue every option to drive this crime from our ranks.

This is a defining moment for our military. Our warriors' will to win is undaunted. But the means to prepare to win are becoming uncertain. We have an opportunity, actually an obligation with this and any future budget to restore confidence. We have it within us to stay strong as a global leader and as a reliable partner.

The joint force is looking to us to lead through this period of historical fiscal correction. But we can't do it alone. As I have said before and as the Secretary just said, we need budget certainty, we need time, and we need flexibility. And this means a predictable funding stream. It means the time to deliberately evaluate trade-offs in force structure, modernization, compensation, and readiness. And it means the full flexibility to keep the force in balance.

Thank you for all you have done to support our men and women in uniform. I only ask that you continue to support a responsible investment in our Nation's defense. And I look forward to your questions.

[The prepared statement of General Dempsey can be found in the Appendix on page 85.]

The CHAIRMAN. Thank you very much.

I think we won't have any votes on the floor before 1 o'clock. It is my intention to get in as many questions as we can, but to take a brief break at around noon.

Among the critical aspects of the transition in Afghanistan is the negotiation of the Bilateral Security Agreement [BSA] with the Government of Afghanistan. I am concerned with the progress in these negotiations and the failure to reach an agreement will put at risk U.S. vital national security interests in Afghanistan and the region by creating a vacuum that regional state and non-state actors would exploit. Clearly, we need a willing partner, and President Karzai's public statements have been erratic at best. A bad agreement is worse than no agreement at all. Yet I am convinced that not only is the agreement imperative, but we need to secure it this spring to allow our NATO [North Atlantic Treaty Organization] allies time to negotiate similar agreements and to send the strongest signal possible that we will not abandon Afghanistan.

I know when I was there not too long ago—Secretary, you were there same time, General Dempsey, you have been there since—everyone in Afghanistan is asking, when are you leaving? Because the Taliban is telling them we are leaving. And we need to counter the Taliban's narrative and reverse the crisis of confidence that I saw in our Afghan partners resulting from our accelerated redeployment and ambiguity about the residual force.

To that end, I strongly believe that an announcement about our residual force or at least an announcement of a narrow range of U.S. troop levels is a necessary prerequisite for securing a BSA. I think this is one of the problems we had with Iraq. We didn't come up with a number sufficient that the Iraqi leadership would expend the political capital to do what is necessary to make an agreement possible.

By sitting on the announcement, all parties with a stake in the outcome of the BSA—Afghanistan, its neighbors, our allies, and Members of Congress—will be reluctant to expend the political capital necessary to secure a good agreement. The politics become significantly more complicated as the BSA gets caught up in the Afghan Presidential election and campaigns for the midterm congressional elections. Karzai will only become more challenging to deal with as his term comes to an end. Silence and speculation will become self-fulfilling prophecies, just as we saw in Iraq. Repeating such an outcome is not acceptable given the sacrifices that we have made.

Nevertheless, Chairman Dempsey, you stated this week that pinning down post-2014 troop levels is not a matter of urgency. Why do you believe we can secure a Bilateral Security Agreement in a timely manner without a decision on residual force levels?

General DEMPSEY. Thanks, Chairman. First, let me align myself with your assessment that it is really the confidence of the Afghan people, and I would say a subset of that, the confidence of the Afghan security forces, that really are the center of gravity now, that which will allow this mission to succeed and endure. Secondly, let me align myself with your suggestion that the Bilateral Security Agreement should be achieved as soon as possible.

The reason I said it wasn't important to nail down the exact number is that we already have—you know, this is a NATO mission in which we are the lead nation, clearly, but we are part of the NATO mission, and NATO has declared that the range of trainers, advisers, and assisters post-2014 will be between 8,000 and 12,000, and I find that to be a reasonable target toward which to aim. And so I think we can move ahead with the Bilateral Support Agreement on that basis because that should inform the number of bases we might need to retain and what authorities we might need.

There is also some physics involved. We are going to be at 34,000 in the middle of February, and to get from 34,000 to 8,000–12,000 between then and the end of 2014, we can actually, we can do the math. So tactically I don't need the exact number because I have a range available to me, and I know what it takes to retrograde from 34 K [thousand] down to something between 8,000 and 12,000.

The CHAIRMAN. I know when I spoke to General Allen and when I spoke to General Dunford they both had talked about the number 13,600, and then an additional 6,000 NATO troops, which would give about 20,000, which would allow advisers down to the, I think battalion level is the way they had it laid out. So even if we could come out with that range that they could feel comfortable with in the negotiations, I think that would be helpful.

General, in February, you testified before this committee, and I am going to quote, what do you want your military to do? If you want it to be doing what it is doing today then we can't give you another dollar out of our—I am adding—out of our budget.

A year ago you testified, if we have to absorb more cuts we have got to go back to the drawing board and adjust our strategy. And that is what the Secretary asked for, I believe, a couple of weeks ago, commented we are going to have to adjust the strategy.

What I am saying to you today, and back to your quote, is that the strategy that we would have had to adjust to would in my view

not meet the needs of the Nation in 2020 because the world is not getting any more stable. Nevertheless, in the budget request, the President has proposed taking an additional \$120 billion to \$150 billion from the military depending on how you measure the cut. He also offers no proposal to rectify the \$53 billion shortfall in fiscal year 2013.

General, did the DOD conduct any analysis that offers a strategic rationale for these cuts? If not, who proposed the number, and did OMB [Office of Management and Budget] or the White House ask for this analysis? In light of your previous testimony, what missions have you recommended that we eliminate, and what changes to last year's strategy will you endorse?

General DEMPSEY. So, sir, the reality of budgets, and I think you probably know this as painfully as anyone, is they take about a year to prepare. And so we have been working on the FY [fiscal year] 2014 budget for a year. Sequestration kicked in on 1 March. The President's budget backloads in years beyond the 5-year defense plan, backloads most of the reductions he proposes. So they don't have an effect—they don't have a significant effect on this 5-year defense plan that we have submitted.

Now, that said, this is precisely why the Secretary of Defense has taken us on the path toward a strategic review, because as we look at not only the President's budget proposal but also full sequestration, we have got to understand what that will do to the force. But the reason that I still stand by what I said but it doesn't affect this FY 2014 submission is that most of those cuts are backloaded, I think \$6 billion or so in FY 2014. But that is the reason I can still state with confidence what I said before.

The CHAIRMAN. Thanks.

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

I want to drill down on that budget question a little bit because I think we frequently in this committee act like, you know, if you cut one penny from defense, you know, it is unsustainable, unworkable, national security falls completely apart, and that is obviously ridiculous. Anywhere in government there is places to cut and there is places to cut. It kind of depends on where you are cutting and what you are doing. And the problem we have right now is sequestration. It is across the board, mindless, deep, done right in the middle of a fiscal year. So the problems that you have described in your testimony are being caused by sequestration and by that just snap change you have to make to existing budgets.

So again I will emphasize for this committee if we want to help you the best thing we can do is stop sequestration as soon as possible because it is the classic gift that keeps on giving, 2014, 2015, 2016. It is going to keep happening unless we stop it. That is first.

Second, when you look out, as you pointed out, the cuts that are in the President's budget beyond that are 2017 and beyond of roughly \$119 billion depending on how you calculate it. But the other problem that we have is there are places where we can cut in the defense budget that will not affect our national security that Congress rather consistently stops you from doing. And I want to just explore two of those: base closure and personnel costs on the TRICARE fees. As Secretary Hagel mentioned in his opening re-

marks, when TRICARE was put in place, your average service member I think was paying 27 percent of healthcare costs; it is now down to 11. There is plenty of room, certainly, over the course of the next 10 years in both of those areas to find savings.

And I guess my question is, if we find savings in those areas, isn't it true that that doesn't really affect the plans? And, General Dempsey, you have been very good about saying, if you are going to give us less money, tell us what less you want us to do. Here is the strategy, we are going to match to it, but there are cuts and savings. We have seen dramatic improvements—and, Mr. Hale, maybe you can comment on this—in some of our acquisition programs as a result of some of your initiatives.

So I personally think that to look at our budget over the course of the next 10 years and say not one more penny can come out of defense is dead wrong, just as a matter of efficiency. I mean, forget for the moment the fact that we have got a deficit that is eating us alive, that we have a massive deficit in infrastructure in this country, that the implications for taxes and on and on. You know, clearly money can be cut out of the defense budget over the course of the next 10 years that won't impact our national security and that will help our budget picture.

So just talk a little bit about BRAC and some of those TRICARE fees and where we might be able to save money in a way that doesn't impact national security, for whichever one of you wants to take a stab at it.

Secretary HAGEL. Well, thank you, Congressman. I will respond and then I will ask General Dempsey, and you mentioned the Comptroller, Mr. Hale. He may want to respond, as well. Let me address your larger question in the context of that question.

If, in fact, we are facing the reality that we are facing, then we are going to have to plan, adjust, review, and take a pretty hard look at everything. And I think the chairman's comments in his testimony, matching the resources with the mission, is a particularly important comment because we can't put our military and all those who support our military in a position where they are under-resourced and then there is an expectation by the people of this country that they are secure and that we are guaranteeing their security. That is, as the chairman and Mr. Smith, as you noted in your comments, the highest order, it is the highest responsibility of a government, the security of the nation. So it is going to require some tough choices across the board. And I generally hit some of those choices in my testimony.

BRAC is an area that we do have to look at, I believe, because there is not one answer to this. It is everything, it is every component of our budget, including TRICARE, including compensation, including benefits. I don't have to engage this body, this Congress, on the issue of Social Security, our current entitlement systems. I doubt if there are many people in this country who don't understand that unless we do something then actuarially it is not sustainable, the current programs we have. The same as in the military.

So we have to manage this, but we have to also project as well as we can with our strategic priorities and our national interests how do we do this, how are we going to do this? And with, as you

noted, the reality of sequestration, it is not some theory, it is law, the Congress passed, the President signed the Budget Act.

Mr. SMITH. And as long as we are talking about the budget I would be remiss if I didn't point out that over the course of the last 12 to 14 years we have cut taxes by nearly \$7 trillion right into the face of the baby boom generation retiring and two wars. So revenue is part of this discussion as well, which I know we have fought about before but I just want to put that out there for the record.

But can you answer just a straightforward question: Can money be cut from the defense budget over the course of the next 10 years that will not negatively impact our ability to protect national security?

Secretary HAGEL. Well, my answer is it is going to be cut.

Mr. SMITH. Right, but I am getting at the larger point here, because when you make those cuts you hear, mostly from that side, oh, my goodness, we had a strategy, you cut money, there goes the strategy. But that is, forgive me, ridiculous. Clearly we can cut money from the defense budget that does not jeopardize our national security. I am just wondering if you gentlemen agree with that.

Secretary HAGEL. Well, I will respond and ask General Dempsey. But as you said in your opening comments, I don't know of an institution that can't find some efficiencies somewhere. I don't think the Defense Department is any different. But back to an important point I think that General Dempsey made, you all deal with every day as the authorizing committee for the Department of Defense: What are our priorities? What do you expect? What do the American people expect the Defense Department to do? What are those missions? How are we going to resource those missions? Those capabilities are going to be required to secure our Nation.

There is where you have to start. I think you can find savings. They have done a very good job over the last few years of finding those savings in acquisitions and other areas. So, yes, it is possible, but we don't have any choice.

Mr. SMITH. And I am sorry, I want to give other members a chance to ask questions, we have had a chance, but that more or less answers my question. If you have something quick that would be great. If not, I would like to give other members a chance to get in.

General DEMPSEY. We are still trying to figure out where to find the \$487 billion. So this process doesn't start from a stable platform, frankly. Secondly, even with sequestration, this wouldn't be the deepest cut the military has ever suffered, but it is by far the steepest.

And so the answer to your question really has to be taken in the context of what we are faced with now. And we really do need time to figure out what these cuts would do before they are imposed.

Mr. SMITH. And make no mistake about it, I understand that sequestration, the way it is done, and like you said, the dropoff, that is ridiculous. But when you put together a 10-year plan, you know, you can find savings, I do believe, and I think you guys have done an admirable job of that in a number of areas.

I yield back. Thank you, Mr. Chairman.

The CHAIRMAN. I think we can find savings all across government. The point is that we have taken 50 percent of the savings out of defense when they only account for 18 percent of the savings. I just think we need to be more rational in the whole approach.

Mr. Thornberry.

Mr. THORNBERRY. Thank you, Mr. Chairman.

Mr. Secretary, in your speech at NDU [National Defense University] last week, in talking about your Strategic Choices and Management Review, you said the goal is not to assume or tacitly accept that deep cuts, such as those imposed by sequester, will endure. And then in the next paragraph, though, you said this exercise is also about matching missions with resources, which we have had a longstanding discussion on this committee about what comes first. Do you have a dollar amount and then you figure out what you can do with it, or do you figure out what it takes to defend the country and then talk about what resources are required to do that mission?

And as you know, there is a widespread view that you were brought into the Pentagon to cut defense. And some of the people who were concerned about that are pointing to the fact that the Cost Assessment and Program Evaluation folks are playing a key role in this strategic review, and CAPE doesn't do strategy. They are more of the green eyeshade people.

So I guess kind of at a broader level, it seems to me that more than anyone else in the government, the Secretary of Defense has got to be the one who says this is what it takes to defend the country, and to fight for that publicly, but also internally within the administration. And I guess I would just be interested in how you see your role. Is it to manage the decline or is it to be explicit about the dangers in the world and what it takes, and then the more political part of the government, Congress and the President, have to accept the consequences of the decisions?

Secretary HAGEL. Congressman, thank you.

First, I have been in this job 6 weeks. The cuts that we are talking about occurred long before I ever got here, so I don't think I had a lot to do with any of the decisions to cut defense spending.

As to my responsibilities, you have listed accurately some, and that is I lead, preside over the one institution in this country that is charged with only one mission, and that is the security of this country. I have no other job. I report to the Commander in Chief, the President of the United States. I work with the Congress as an agent of the executive.

Yes, part of my job is to manage, to see that the Department of Defense is managed efficiently, effectively, within the laws that the Congress passes and the directives that Congress gives us. Yes, also my role is to be an advocate for our men and women in uniform and the job we do, and I have done that, I intend to do that, and I don't think I take a back seat to anyone. Look at my entire life, my career. Now, I have not done as much as most of you in the Congress here or certainly as General Dempsey has done, but I have been devoted my entire life to veterans and military, and I think my record is pretty clear on that.

So, yes, I am an advocate for this Department. I am an advocate in the National Security Council, my advice that I give to the

President of the United States. But I also have to be realistic, Congressman, in that what we are dealing with in sequestration, as I noted to Mr. Smith, is the law. It is not debatable for me. This is what is on the books now. This is what the Congress, last month, the House and Senate budget resolutions, you passed a budget resolution for 2014 that essentially is pretty close to what the President's budget is for 2014. Now, I have to deal with that reality, and I have to manage and lead with that reality.

Now, your last point about accepting these kinds of things. As I said, as you noted, in the NDU, whether I accept it or not is one thing. No, we don't want to accept it. No, we are up here explaining in our testimony and in interviews, I think clearly, what sequestration, in some specificity, is doing and will continue to do to our capabilities and to our readiness and the hard choices we are going to make, but I can't lead my institution into a swamp of knife-fighting over protesting what is already in place.

We will respond honestly and directly. I think the General has made it pretty clear in his testimony. I think I did. If you want to go deeper into any programs with the Comptroller, he will, on how difficult this is going to be.

So I think it is a combination, Congressman, of all the things that you said, as at least the way I see my job. And I will also say the President did not instruct me, when he asked me to consider doing this job and when he asked me to do this job, to go over and cut the heart out of the Pentagon. That wasn't his instruction to me, nor in any implication in any way.

The CHAIRMAN. Thank you.

Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman.

And thank you, gentlemen, for being before us today. I think there were many of us in the room when Secretary Gates was before us and he spoke about how the U.S. debt and deficit was one of his biggest concerns with respect to national security, and so we are really trying to do what so many across America believe is correct to do, and that is to get our fiscal house in order. And I have been one of those people who have said that everybody has to put something on the table—entitlements, defense, and so many of the other discretionary programs that some people like to cut all the time.

And I also remind you that this Congress, you know, because the supercommittee was not able to come up with a list of cuts, this is where we are. We actually voted on this. So, Secretary Hagel, I don't think you were brought in to cut defense. I think you were brought in to follow the law and to try to best advise us, if we need to change course of action, how to do that and why we need to do that.

And I might add that in the 17 years that I have been on this committee, when I first came to Congress our defense budget was about a little bit under \$300 billion a year, and that as we went into two wars over a decade, our budget, when you really looked at all the spending, rose to about \$800 billion a year. I don't think there has been a single department that can say that it has seen that. So now we are getting out of the second war, we are coming back, and so I think that there are cuts to be made.

But, Secretary, over the next 5 years, when I look at this budget, there is a transfer of billions of dollars going to support nuclear weapon sustainment, to cover the cost of escalation of existing programs and increased requirements. And as you know, I sat as the ranking member on Strategic Forces Subcommittee, so we have looked at this quite a bit, and I support the increased oversight the Department of Defense is doing with respect to NNSA's [National Nuclear Security Administration] costs. But I wonder why I only see the increases in the nuclear weapons program and I see nothing with respect to nuclear nonproliferation programs. So that would be my first question to you.

And the second one is about the 14 add Ground-Based Interceptors at Alaska. And as we move to do this, as the Department of Defense moves to do this, what is the Department's commitment to ensure that the interceptors are successfully operational and realistically tested before we deploy them since GBIs [Ground-Based Interceptors] have not been successfully flight tested since 2008?

Secretary HAGEL. Congresswoman, thank you. Let me respond to the Ground-Based Interceptors question. When I made the announcement regarding increasing our 30, present 30 GBI inventory to 44—and as you know, they are located and the new ones will be located at Fort Greely and Vandenberg—I noted that we did have a problem in one of the last tests with the guidance system, the gyro system. And when I was asked the question, would you put those new interceptors in, still with some uncertainty until that problem was resolved, I said no.

So we are testing, we will continue to test, and would certainly not employ any new interceptors anywhere until we were completely satisfied that they are operational and we have complete confidence in their ability.

As to the nonproliferation question in the budget, as you know, DOD does not have responsibility for funding nonproliferation programs. Our responsibility is funding and maintaining, securing the stockpile, the nuclear stockpile, and we will continue to do that. The nonproliferation programs, which we work with State on specifically, also Energy, and we participate in that process, but the funding doesn't come from DOD. Thank you.

Ms. SANCHEZ. Thank you, Mr. Chairman.

General DEMPSEY. I wonder, Congresswoman, if I could—

Ms. SANCHEZ. General.

General DEMPSEY. I don't want to miss the opportunity to point out that although Iraq and Afghanistan are winding down, as you say, the world that we are inheriting here is far less stable than the one that existed when you entered the Congress of the United States. So I would just ask you not to make any direct correlation between the end of the conflict in Afghanistan and where you think our budget should end up.

The CHAIRMAN. And also to clarify the record, so that people don't think that we have had a budget of over \$800 billion a year for the last 10 years, we had one budget over \$700 billion.

Mr. Jones.

Mr. JONES. Mr. Chairman, thank you.

Mr. Secretary, it is good to see you again, General Dempsey.

Mr. Secretary, you were saying in your comments what the American people want. What they want is a smart, efficient foreign policy. I do not think we have had a foreign policy that made a hell of a lot of sense, truthfully, going back to George Bush. I am not being critical of the President, but, General Dempsey, I talked to John Sopko recently, who is the Inspector General for Reconstruction, I spoke to Stuart Bowen two days ago, and yet we continue to spend money in those countries.

Today I had General Gardner, Jake Gardner was in my office for an hour and a half. He is of the firm belief that in the next year to three years there will be a civil war in Iraq. And I don't know and I hope, Mr. Secretary, that you and General Dempsey, for goodness sakes, how can America continue to police the world, keep all these bases overseas open, and then I hear you, in your testimony, and General Dempsey, and I agree with you, we are in a financial collapse.

And I saw an Army corporal on Tuesday of this week from my district who has lost a leg, three fingers, and brain injury. He has got a wife and four children. He lives in Moyock, North Carolina. And I don't know, somebody has got to wake up this country. Yes, we have got to have a strong military. We have got to have a strong defense. But they deserve better than what they get from an administration and a Congress that wants to send them around the world and change the culture of countries that could care less about freedom.

Now, if they are a threat to us, I will vote every time to make sure we defend the American people. But I hope, Mr. Secretary, that you will be a leader with this administration and say, walk carefully, let's make sure it is justified. Because we failed in Iraq. It was never justified. And so I hope that you will bring, as you work through these problems, and my friends on both sides have certainly articulated and have agreed, but it is just like how in the world can we continue to play the game.

I gave this analogy recently in my hometown of Farmville, North Carolina. Everybody in my neighborhood knows I am broke. I still drive a fancy car. I call up my neighbors and say, let me take you to dinner. You know what they are saying? What a fool. He can't even pay his bills and he wants to take me to dinner?

Somebody has got to bring some sanity to this program and rebuild the military, and I will support you, sir, and your leadership to make it more efficient and streamlined. But again, we need to change the way that we get involved in these foreign wars with no end to it. So if you want to comment on that, you don't really have to, but if you want to, I would appreciate it.

Secretary HAGEL. Congressman, thank you, and good to see you again. You and I have had, over the years, many conversations about this issue, and I am grateful that you, over many years, in difficult situations, have spoken up and made clear your thoughts on what you just talked about and on other issues.

I would respond this way very briefly. If you recall the last sentence of my testimony, the last sentence of my testimony was any decision we make should always be worthy of the service and sacrifices of our men and women and their families. I believe that. And I will do that as Secretary of Defense. The day I think that

that is not being done, I will do everything I can to make sure it is done. But if that day would ever come, I would have to resign, because it is the essence of who we are, first of all, as Americans.

To your bigger point, I think we are all in this country, certainly those responsible for foreign policy and our national security and all the connecting dynamics that flow into that, our economics and everything, energy, are now defining, as they analyze what we went through the last 12 years, and I am not here to debate that, but it is important we review what we did, why we did it, where we are. And we have some new opportunities here to restructure and take that review and hopefully put America maybe on a path here where we can do more, certainly, with allies, and it is central to everything we do

Last point I will make is, the comment I made in my testimony, and General Dempsey noted it, it isn't all bad sometimes to have these situations when each of us in our personal lives or government lives are confronted with the uncontrollables coming down on us, because it forces us to take inventory and stock. What are we doing? Why are we doing it? How are we doing it? And that is essentially what is going on.

So there is an opportunity here. I wish it would come in a different way, but it is what it is. So we have got to be smart how we use this opportunity to restructure and rethink, and foreign policy guides everything because it is our national interest. And I know that is not the purview of this committee, but you are not disconnected from it. Nor are we, by the way. I serve on the President's national security team, and there is no discussion that General Dempsey has or I have with the President or Secretary of State that does not include all of these parts. So I understand what you are saying, Congressman, and I appreciate your comments.

Mr. JONES. Thank you, Mr. Secretary.

The CHAIRMAN. Thank you.

Mr. McIntyre.

Mr. MCINTYRE. Thank you, Mr. Chairman.

And thanks to each of you for your service to our country.

Secretary Hagel, I have three questions, I will just go straight to them. If you can answer them yes or no and then if you need an explanation.

First of all, with possible delays in the F-35 procurement, do you believe that the Navy and the Air Force have budgeted sufficient funds to maintain the necessary strike fighter inventory to meet the national military requirements, the National Military Strategy requirements?

Secretary HAGEL. Yes, I do.

Mr. MCINTYRE. With regard to the National Guard, in your opinion, given the current restrained budget atmosphere we know we are in, can we continue to adequately resource and equip the National Guard and Reserve Component as an operational force or do you feel like you are going to be in a position that you have to revert back to the Strategic Reserve model?

Secretary HAGEL. Well, the way I would answer it, I think the National Guard and Reserves are key components of our military force structure and will continue to be, and I think that has become quite obvious the last few years. And without going into a long ora-

tion of this, and Marty Dempsey can handle it in a lot more depth than I can, I don't think we could have the projected force structure that we now have counting on the assets we have and adequately managing those assets without a strong National Guard and Reserves, if for no other reason than the professionalization that has occurred in our Reserve and National Guard Components over the last 12 years, I think, has been probably historic. We now have a member of the Joint Chiefs of Staff who sits there who is a National Guard representative. I think that tells you something. So I am a strong supporter of our National Guard and Reserves.

Mr. MCINTYRE. And my third question is, it is two-part, but to the extent you can clarify if you need to, do North Korea and Iran currently possess the capability to reach the United States with long-range missiles? One, in general, perhaps a conventional warhead; secondly, with a WMD [weapon of mass destruction] warhead?

Secretary HAGEL. I want to be careful with this answer because it might imply some intelligence here. But I don't believe that neither of those countries has that capacity right now. Now, does that mean that they won't have it or they can't have it or they are not working on it? No. And that is why this is a very dangerous situation.

I would also add, and I will ask General Dempsey for his thoughts, but this country is capable of dealing with any threat and any action by any country, including Iran or North Korea.

I don't know, General Dempsey?

General DEMPSEY. I have nothing to add.

Mr. MCINTYRE. So your answer is no to both questions, they do not possess the capability to reach the U.S. with long-range missiles even in a conventional warhead as well as a WMD warhead?

Secretary HAGEL. Yes. But again, we have to always be mindful of uncertainty of anything, and you can't accept what you are never, ever, ever sure of. Right now I don't think we believe they have that capacity, but I have qualified that answer as I did.

Mr. MCINTYRE. In preparation, just in case. Thank you.

Thank you, Mr. Chairman

The CHAIRMAN. Thank you.

Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman.

Mr. Secretary, I am going to duplicate the request of my good friend from North Carolina and ask that you as be succinct as possible in your answers because, like him, I only have 5 minutes.

I believe the impact of this administration's fiscal cuts to our national security are unwise and will have long-lasting repercussions, but I also believe this administration's attacks on faith, religious freedom, and religious liberty in our military are also unwise and will have long-lasting repercussions. From the Pentagon we had an order issued that you don't have a copy of, but I am sure you are probably familiar with, that our commanders can no longer even inform those under his or her command of approved programs in the chaplain's office.

In addition, we have from the Pentagon an order where a patch from the Air Force had to be removed, and we were told from the

liaison's office that it was because the legal department had said you couldn't use "God" even if it was in a nonreligious context.

We have here, of course, approval that was given by the Assistant Secretary of Defense to allow individuals to march in uniform in a San Diego gay pride parade, which was a political parade, using their uniforms. And then we have an order by the Department of the Navy prohibiting Bibles from being used in Walter Reed hospital. And in addition to that—and these are just a few of the items because I only have 5 minutes, and as I am sure you are familiar, recently we have had a training program, which I have given you a copy of, where we list evangelical Christians, Catholics, and Mormons in the same category of religious extremism as we do Al Qaeda.

Now, because of those kind of things, and I don't expect you to know all of those things or keep your hands on all of them, but because of those, we had a provision that was put in the National Defense Authorization Act last year that was Section 533 for the protection of rights of conscience of members of the Armed Forces and chaplains. Particularly it said that our servicepeople couldn't have their beliefs on the basis of adverse—they couldn't have any adverse personal action, discrimination, or denial of promotion, schooling, training, or assignment based on their religious beliefs, and also it said that our chaplains, that no member of the Armed Forces could require a chaplain to perform any rite, ritual, or ceremony that is contrary to the conscience, moral principles, or religious beliefs of the chaplain or discriminate or take any adverse personnel action against the chaplain, including denial of promotion, schooling, training, or assignment on the basis of the refusal by the chaplain to comply with the requirement prohibited by paragraph 1.

And my question to you, Mr. Secretary, because this is a big issue as we get statement after statement sent to us almost on a weekly basis about these issues, we had 75 percent of the Members of the House, 85 percent of the Senate, 350 Members of the House, 81 members of the Senate who voted for that authorization bill with that provision in it because they thought it was necessary, that it was well advised. Do you believe that those rights and the provisions of Section 533 are necessary and well advised?

Secretary HAGEL. Well, first, Congressman, I don't know about all the specifics of the information that you presented. I will get it and I will find out about it and I will get back to you on it, first.

[The information referred to can be found in the Appendix beginning on page 113.]

Secretary HAGEL. Second, obviously we will comply with all the NDAA [National Defense Authorization Act] directives. Protection of religious rights is pretty fundamental to this country.

Mr. FORBES. Mr. Secretary, my time is running out. My only question is, do you think that provision is a necessary provision and well advised? Just yes or no.

Secretary HAGEL. Well, it is in the NDAA, right?

Mr. FORBES. But I am asking you if you feel it was necessary and well advised.

Secretary HAGEL. Well, I haven't seen it, so if you can give me a sentence of it again.

Mr. FORBES. Well, I will try to follow up. So then I take it, let me just ask you also to come back to me and let me know the status of the regulations that are supposed to be passed to ensure that that is done, and I take it you are not aware of those today or that status?

Secretary HAGEL. Well, no. And unless I had it in front of me, I don't know. I am well aware of the NDAA directives and all the different directives—

Mr. FORBES. Then the final thing I would ask in the last 20 seconds I have is, I just can't understand why the Department is issuing orders prohibiting people in the chain of command from talking about chaplains' programs supporting faith but they are not prohibiting people in the chain of command from making anti-faith statements and doing anti-faith training. And I hope you will just take that into consideration and get back to us because this seems to be a growing problem, not one that is heading in the right curve direction.

Secretary HAGEL. Well, that should not be happening, and I could say that without seeing anything, and I will get back to you and I will find out about it. Thank you.

[The information referred to can be found in the Appendix beginning on page 113.]

The CHAIRMAN. Thank you.

Mr. Andrews.

Mr. ANDREWS. Thank you.

Mr. Secretary, General, Mr. Hale, thank you for your service to our country and please convey to the men and women you represent how proud we are of them and the great job that they do for our country every day.

It is my understanding, Mr. Secretary, that because of sequestration, that nine fighter squadrons and three bomber squadrons have been grounded. Is that correct?

Secretary HAGEL. I think nine is the accurate number, but—  
General DEMPSEY. It is.

Secretary HAGEL. It is? It is the accurate number.

Mr. ANDREWS. And if the Congress were able to reach an agreement where we could swap out these sequester cuts for some other cuts in various parts of the budget and perhaps have some revenue in there as well, if the sequester were not in effect today, would those planes be flying?

Secretary HAGEL. I assume that they would be, yes.

Mr. ANDREWS. General, what are the consequences, both in terms of readiness and in terms of our technical capability, of those airplanes not flying?

General DEMPSEY. Well, fundamentally, Congressman, what we are doing is we are meeting near-term requirements at the expense of downstream readiness. I think this is March, or it is April. Basketball season just ended. You got 12 players on a team. You teach them individual skills. Then you bring them together as a team and you run team drills, then you scrimmage, and eventually you get into the season. What we are doing right now is we are not scrimmaging and we are limiting the number of collective drills and focusing on individual skills because that is where the budget situation has taken us.

Mr. ANDREWS. If the Congress doesn't—

General DEMPSEY. They won't be ready to play.

Mr. ANDREWS. Thank you. If the Congress doesn't reach the kind of agreement that I just talked about and we have year two or the first full year of sequestration, which it would be, what kind of other changes would you have to make in the defense posture of the country?

Secretary HAGEL. Well, we will have to continue to effectively cut into our readiness, and the grounding of wings is a good example of that. We are doing the same thing in the Navy, not sailing, and some of our ships remain docked. Our training of our soldiers. So it is across the board. It isn't just one service.

Mr. ANDREWS. I noticed that in the President's budget proposal that he does propose the replacement of sequestration. He also suggests that there still would be \$150 billion in cuts in defense, not the \$550 billion or so that we have otherwise. What kinds of things would you do in the defense budget to hit the \$150 billion target that is in the President's budget?

Secretary HAGEL. Well, first, that is why, one of the reasons I directed the strategic priorities and management review, to ask those kind of questions of our Chiefs and of our combatant commanders and other leaders in the Defense Department. What are those options? That is first. But, if you just look at the numbers, \$550 billion over 10 years versus \$150 billion over 10 years, I know what side I will on that if I am looking for resources for our Department.

The other part of that is the President's \$150 billion in savings through Department of Defense comes mostly at the back end of that 10 years.

Mr. ANDREWS. So there will be time to transition into those—

Secretary HAGEL. That is exactly right. It gives us time, as the General noted in his comments, time, flexibility, and certainty.

Mr. ANDREWS. I do not mean this as a rhetorical question. I mean it as a real question, that my assumption is we will have significantly fewer troops in Afghanistan on September 30th of 2014 than we will on September 30th of 2013. Is that right?

Secretary HAGEL. Yes, we are continuing to draw down and—

Mr. ANDREWS. Then why is the OCO account, the overseas account, the request, \$87.2 billion for the present fiscal year and \$88.5 for the 2014 fiscal year? If we are having that size draw-down, why is that not reflected in the reduction in an OCO request?

Secretary HAGEL. Well, first, it is a placeholder. As I said in my testimony, we have not sent the OCO budget up yet. We will be doing that shortly. So the \$88 billion that you refer to is placeholder in the budget, knowing that we will be coming back with something probably in that range, I don't know. Mr. Hale may want to—

Mr. ANDREWS. But why wouldn't it be lower if the number of troops is significantly lower?

Secretary HAGEL. Well, because we have to now bring them out in large numbers. That means equipment. We have got billions of dollars of equipment in Afghanistan that we have to get out. It is very dangerous. We have only got two ways out, other than fly everything out. That is prohibitive. We are flying things out now. You

know the southern route is down through Pakistan, out through Karachi port. You know what is happening in Pakistan.

Mr. ANDREWS. We do

Secretary HAGEL. Up through the north, bad roads, variables, different countries. So that expense of just getting our troops out on a timely basis and the materiel that goes with it is costing us a lot of money.

Mr. ANDREWS. Thank you.

And thank you, Mr. Chairman

The CHAIRMAN. Also we have been chewing up equipment for 10 years. There is no reset, which we are going to have to be facing.

Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman.

And thank you all for being here today.

Secretary Hagel, I was happy to join with nearly 50 of my colleagues, bipartisan, a unique situation of bipartisan concern, and that is in regards to the Department of Defense creating a Distinguished Warfare Medal, DWM, which we appreciate, to recognize extraordinary service of our personnel. But unfortunately there is an issue of precedence in that the DWM was placed above the Bronze Star and Purple Heart in order of precedence. Have you made a determination of how to address this? And this is a great concern to veterans and military families.

Secretary HAGEL. Congressman, thank you. It is a concern to me. It is a concern to any veteran, anybody in the military. But to just get straight to the answer to your question, you know I asked the Chiefs and the Secretaries to go back and take another look. I will make a decision on this early next week and I will make that announcement on where I think we should go next on this.

Mr. WILSON. As a fellow veteran, I appreciate you looking into that, and it is important.

Additionally, in regard to the military healthcare system, there is a proposal to increase TRICARE fees again, in light of the fact that in the defense health programs there has been, in the last two years, a surplus of \$500 million to \$709 million, and so that there has been a surplus. Additionally, it has been claimed that the healthcare costs are eating the budget alive, when in fact it is an increase of less than 1 percent in fiscal year 2013 and fiscal year 2014, and then there has actually been a decrease of \$650 million in private sector costs.

And my concern is that we know this is a great program, TRICARE, people are very satisfied, military families appreciate this benefit. Commitments have been made to our veterans and to military families. Why would we be increasing the fees when in fact the program is working well?

Secretary HAGEL. Thank you. The program is working well, and as I noted in my testimony, and Mr. Hale is obviously quite conversant on this, but we have seen those costs go down, and I mentioned this in my testimony, but as more and more people come onto that system and more demand and the sustainability, which we have to look at, how are we going to continue to commit and pay for those and fulfill those commitments, as we have analyzed this in some detail, we think it would be wise, and these are not

significant increases, by the way, but be wise to propose these increases in fees.

Now, recognizing this is the beginning of debate, this is the beginning, as it should be, laid out and let's look at everything on it, on this issue. But these are not significant increases. We are looking at the long-term sustainability. It is a good program, it has worked, and that is not an issue. But the issue of the affordability of the program, I don't know, let me ask, if you want, the Comptroller to add.

Secretary HALE. May I just briefly. Mr. Wilson, there is about a billion dollars of savings associated with TRICARE fees and the copays in the fiscal 2014 budget. If we don't do it, we will have to take that out of readiness or modernization. I think it was the strong feeling of the Secretary and the Joint Chiefs that the balance should be——

VOICE. Mr. Chairman, could he speak more in the microphone, please?

Secretary HALE. I am sorry. We save about a billion dollars from the TRICARE fees and copays. If we don't do that, we will have to take that money out of readiness or modernization, and I think it is the strong feeling of the Secretary and the Chiefs and the Chairman that the right thing to do is a balanced approach to meeting our defense needs with some modest increases in fees.

Mr. WILSON. But the experience is very clear that there are not increases of any significant amount, less than 1 percent. And, Mr. Secretary, the fee increases have been, I am not sure what the new ones are, were an increase of 365 percent. And so it was significant to the persons who are in the program.

And I hope we look at the experience because I know it was not projected that the healthcare costs would go down. That was a pleasant surprise. And so I would rather that we look at it, the pleasant surprise, and be positive. And I just hope that you all look at that. The fee increases do impact military families. Thank you, and I appreciate your time.

The CHAIRMAN. Thank you.

Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

And Mr. Secretary, I look forward to working with you. And General Dempsey and Secretary Hale, thank you for being with us as well.

Secretary Hale, I understand that the Department of Defense has directed the services to restart tuition assistance to service members as of April 9th, obviously of this year, and I certainly support the tuition assistance, very, very much support education for our troops' continuing education, and yet I understand that this is really going to put some pressure on our services to try and go along with this essentially because it means, in many cases, they have spent some of those dollars, so they are going to have to look for other areas in which to backfill, essentially, those dollars as well. And so I wonder if you could comment on that, number one, is that correct?

And also, I think it is a lesson for all of us because we certainly, I think, go on record supporting a change when it comes about. Certainly when we look at the budgets, often the Pentagon re-

quests one thing and we come back and do something different. You understand that, certainly, Mr. Secretary. How are we doing with that right now and is this not a problem for the services because they have to find the dollars in order to fund not just an unlimited amount of tuition assistance going forward from this point?

Secretary HAGEL. Congresswoman, thank you. Let me respond, and then I am going to ask the Chairman for a specific response because you noted in your question some of the services are struggling with this more than others, and that is right.

First, we are going to follow, we are following the directive of the NDAA and what the appropriations bill instructed us to do. You are correct that prior to that we had to make some tough choices, each of the services, on where they were going to prioritize their funds. As I noted in my opening comments, readiness, protecting the warfighter, where our most important assignments are. Obviously, when you are at war in a nation, those are priorities, and other priorities. So we had to balance those priorities with those resources. And so the services were in a tough spot on this. Each service, as you know, has a little different standard on this.

Mrs. DAVIS. Right.

Secretary HAGEL. So, we are going to fulfill that commitment, but let me now ask the Chairman because he will talk now more directly—

Mrs. DAVIS. I think it is important to know where those dollars are coming from for each of the services.

General DEMPSEY. Yeah, thanks, Congresswoman. It actually goes back to actually what Congressman Wilson talked about. You know, I find myself often in the difficult position of standing in front of soldiers and sailors, airmen, marines, and their families and explaining why, as we look to absorb cuts of whatever magnitude, we have to include all of the various factors of this giant enterprise in order to keep the force in balance. So some 1 individual, 2, 10, 25, 25,000 might be on my blog complaining about the fact that we have had to suspend tuition assistance or, you know, revise the program. But the answer is, unless we look across the board at all the levers we have to pull, whether it is infrastructure, healthcare, paid compensation, tuition assistance, we will have an extraordinarily well compensated force that will be sitting at Fort Hood, Texas, or at Camp Lejeune unable to train and therefore we will be putting them at risk. I tell the young men and women, you know, if this is an inconvenience to you, what would really be dangerous to you is if we don't keep this thing in equilibrium. We have got to look at everything.

Mrs. DAVIS. Yeah. I think my concern is whether or not we are actually cutting into that, whether we are cutting into readiness by virtue of having an unlimited stream of money in order to do this, something that we all would support but nevertheless in this situation—

General DEMPSEY. Sure. The answer is yes, but it is not uniquely because of tuition assistance. Frankly, tuition assistance was about \$200 million for the rest of this fiscal year, which may sound like an inconsequential amount of money in the context of a \$525 billion budget. The problem is that is probably three or four brigade training exercises at Fort Irwin, California.

Mrs. DAVIS. Okay. Mr. Hale, did you want to comment on that at all? Because I am—

Secretary HALE. No, I think the Secretary and Chairman said it right. We are complying with the law, what we felt was the intent of the law on the appropriations bill, and it is causing some difficult decisions.

Mrs. DAVIS. All right. Thank you. Thank you all.

The CHAIRMAN. Thank you.

Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman. After Congressman Forbes' question, as one of the extremists in this body, Mr. Secretary, I would like to welcome you here, and it is good to have you finally on the correct side of Capitol Hill.

I have got about five questions. I am going to get them all through come hell or high water. So the first one deals with a request that was in your budget. It appears that in the Air Force budget, that roughly \$1.4 million is put in there to conduct an environmental impact study regarding the ICBM [inter-continental ballistic missile] missile wing. I understand this was inserted in the budget proposal by your office and not by that of Air Force leadership. So I guess three questions dealing with it. Is that a correct statement? Number two, what is the object of this EIS [Environmental Impact Statement] effort? And number three, if it is to eventually close down an ICBM wing or squadron, which one is being studied for potential closure?

Secretary HAGEL. Well, I just asked the Comptroller, first of all, Congressman, if it is a correct statement and what that was about. I am going to ask him to answer the question because it is correct.

Mr. BISHOP. Okay.

Secretary HAGEL. And what he just reminded me of is a missile wing is a component of the larger context here. So let me ask Mr. Hale to respond.

Secretary HALE. I honestly don't remember who put it in. I will find out for you.

[The information referred to can be found in the Appendix on page 107.]

Secretary HALE. We are studying all three wings, environmental impact statement on all three of them.

Mr. BISHOP. And what is the purpose for that EIS effort?

Secretary HALE. It is part of the all missions and all activities are on the table. We need to understand what the environmental impacts would be of any decisions that we make with regard to ICBMs.

Mr. BISHOP. And you are dealing with all ICBM wings and squadrons?

Secretary HALE. Correct.

Mr. BISHOP. All right. Let me ask the second phase of the questions, and it goes to the FAA's [Federal Aviation Administration] action recently. The FAA closed a number of contract towers around the country far in excess of what they needed to meet their sequestration goal. A few of those contract towers, though, are very near to Air Force bases. I have one at Ogden-Hinckley Air Force, which is less than three miles from Hill. Congressman Fleming has one at Barksdale, same situation.

So I guess the two questions I have is, number one, did FAA contact the Defense Department in any way to coordinate what they were doing when they made this decision to close these towers down? And since it also—go ahead and answer that one if you want to.

Secretary HAGEL. It is a quick answer. I don't know.

Mr. BISHOP. All right. If you could find out, I would be appreciative.

Secretary HAGEL. We will find out and get back to you. So thank you.

Mr. BISHOP. It is just that in past, for example, when NASA [National Aeronautics and Space Administration] decided to change their program constellation, it had a negative impact on what it cost the military to do missile defense and there had been no coordination between those two agencies. They had not talked. So I don't know if there is—I would like to know if there has been any contact.

But since these areas now overlap as far as the airspace, to go to Hill, you have to go over the Ogden airport airspace, potential of collision, potential of pilot safety, potential of impact on mission readiness or training, testing activity. Do you consider this to be a problem in these few situations, and if so, what are you doing about it?

Secretary HAGEL. Well, I understand exactly your point, and for the reasons you mentioned, and I, as I said, will find out and get better acquainted with it. It seems to me, based on what you said, it could be a potential problem. So beyond that I just would have to find out enough information, starting with your questions, did they contact us, what did we say, what are the vulnerabilities, and I will get back to you.

[The information referred to can be found in the Appendix on page 107.]

Mr. BISHOP. So on both that, this is potential and not a whole lot of towers and bases are in—but there are a couple of which I know, there may be a few others. That, as well as the efforts for the EIS statement purpose, I would appreciate that kind of return.

And I will give you back a minute. This is one of the few times I haven't used it all.

Secretary HAGEL. I just mentioned—

Mr. BISHOP. I have just used it all.

Secretary HAGEL. Congressman, thank you for your comments welcoming me on the right side of the Capitol. I actually started a career after Vietnam on this side of the Capitol in 1971 as chief of staff to a Congressman.

Mr. BISHOP. So, why did you go over to the dark side?

Secretary HAGEL. I am still going to confession.

Thank you.

Mr. BISHOP. Thank you.

The CHAIRMAN. You have time, you could ask a question about why we don't do an environmental impact on the result of somebody hitting us with a missile?

Mr. Langevin.

Mr. LANGEVIN. Thank you, Mr. Chairman.

Secretary Hagel and Chairman Dempsey and Secretary Hale, I want to thank you all for appearing today and for your testimony. And in particular, Secretary Hagel, I want to congratulate you on your confirmation. I certainly look forward to working with you as we navigate some very challenging times.

I would like to try to get in two questions, one primarily on cyber and the other one on directed energy. Let me start, first of all, with Secretary Hagel. In your first formal policy address at the National Defense University on April 3, 2013, you asserted that the cyber threat that our Nation faces today is a security challenge with potential adversaries seeking the ability to strike at America's security, energy, and economic and critical infrastructure.

As you may know, I spend quite a bit of time on this. It is a particular interest of mine, dealing with cyberspace and how we better protect the Nation in cyberspace. Looking at the fiscal year 2014 budget, are we resourcing adequately in order to operate within the cyber domain and ensure our natural interests in cyberspace are protected? And does the Department require additional authorities in order to educate, attract, and retain the very best cyber operators?

Secretary HAGEL. Congressman, thank you, and I appreciate your comments.

Cyber is one of the areas that we have actually proposed increases in the budget, so I think that begins with some understanding, at least on our side, of the threats and responsibilities we have in this domain, and I think they are going to continue to multiply. I do know of your longstanding involvement in this area, and I look forward to working with you.

We continue to enhance our role in this effort, DOD's. As you know, we are not the only agency that has some responsibility here. The Department of Homeland Security has a lot of authority, as you know, on this. We are working very closely on interagency groups as we connect better, and we need more of that connection on lines of authority, definitions of responsibility.

As you know, our two primary resources at NSA [National Security Agency] and Cyber Command are both critical components of our security enterprise. We spend a lot of time on this and we are going to continue to spend a lot of time on it. It is I think overall as a big a threat to this country, cyber attacks, as any one threat.

Mr. LANGEVIN. Thank you. Let me also turn to the issue of directed energy, and if we have time, maybe I will come to some other cyber. But first of all, I want to congratulate the Navy, just recently very successful test of a laser, shipboard laser shot down a drone. I see this directed energy as a game-changing technology, both for standoff as well as for ship defense, operating the littorals, if necessary, ballistic missile defense.

About a year and a half ago, the Center for Strategic and Budgetary Assessment came out with a report that said that directed energy is maturing at a faster pace than what many had realized. Can you tell me where the Department stands right now on getting this stuff out of the labs and where practicable deploying this type of technology?

Secretary HAGEL. Yes. As you have noted, we have a high priority on this, and you have just recited a couple of examples. We

have a platform ship that is involved in some of this testing right now. So we will continue to be very focused, very engaged, and we will assure the prioritization of the resources we need to continue to carry it out.

Mr. LANGEVIN. And let me also, maybe expanding on it a little bit, touching on a couple of operational aspects of anti-access and area denial environments, such battlespace limitations are likely to place a premium again on particular assets, technologies and competencies, particularly in the Asia-Pacific region where there is a significant proliferation of submarines, advanced tactical fighters and ballistic missiles, as well as many electronic warfare challenges.

General Dempsey, perhaps can you speak to how the Department is resourcing, training, and investing in research and development in order to meet those challenges, particularly with regards to directed energy, undersea warfare, and advanced tactics, technique and procedures?

The CHAIRMAN. General.

General DEMPSEY. Yes, sir.

The CHAIRMAN. The gentleman's time has expired. I would ask if you could please handle that one for the record.

[The information referred to can be found in the Appendix beginning on page 114.]

The CHAIRMAN. Mr. Turner.

Mr. TURNER. Secretary Hagel, General Dempsey, thank you for being here. I greatly appreciate your dedication, and we really appreciate this dialogue today. I want to start by thanking both of you for your dedication on the issue of sexual assault in the military. General Dempsey, you have had exemplary dedication to this issue, and we appreciate your voice as we have looked to both try to change the culture of the military and look at the rules and regulations that need change.

Secretary Hagel, thank you for your position on addressing Article 60 after we had the incident of General Franklin overturning a conviction of sexual assault.

My co-chair of the Sexual Assault Prevention Caucus, Niki Tsongas, and myself recently received a presentation from the Air Force, and we appreciate their dedication on this issue.

We look forward to working with you on the language for that because there are a number of considerations, which I know you referenced in your letter. We have some additional issues that we think that should be addressed. So my co-chair, Niki Tsongas, and I will be working with both of you on that as we proceed to the NDAA.

On sequestration, I wanted to relate that General Wolfenbarger, the commander of Wright-Patterson Air Force Base, related her concern that so many times in our discussion of the effects of sequestration we miss the personal effects that this is having on the workforce, both our men and women in uniform and our civilian workforce. In my community, Wright-Patterson Air Force Base, 13,000 people are facing furloughs, which, you know, those are the people who get up every day to protect our national security. So I want you to please pass on that Members of Congress are very concerned about the personal effects of people who have kids in col-

lege, vacations that are going to be postponed, other expenses, and real life hardships that this is going to result in.

I have a question for Secretary Hagel and a question for General Dempsey. My first to Secretary Hagel is about our ability to maintain responding to two conflicts, and my question to General Dempsey will be about missile defense and our ability to do look-shoot-look as we look to Iran.

Secretary Hagel, Secretary Panetta, just as he was about ready to leave, was at the 2012 Munich Security Conference and made this statement: “We will ensure that we can quickly confront and defeat aggression from any adversary any time, any place. It is essential that we have the capability to deal with more than one adversary at a time, and I believe we have shaped a force that will give us that capability.”

We have, coming up in NATO, a joint training exercise that is currently scheduled in Poland. That is obviously very important to Members of Congress because we know how sensitive our relationship is with Poland, as the administration has walked away from its commitment to missile defense. We are going to be watching and certainly hoping that this has the full support of the Department of Defense that this joint exercise in NATO and Poland take place.

But my concern is, obviously, our ability, as we look at sequestration and defense cuts, to give our allies the assurance that we can do two conflicts. With the tilt to the Pacific, NATO is obviously nervous. And I would like, Mr. Secretary, your comments on that.

And then, General Dempsey, General Kehler has said of his concern of our ability to do look-shoot-look: I think we are well behind the ball as we look to North Korea and the missile defense presence that we should have there. As we look to the rise of Iran, this committee has placed in the last NDAA language for an East Coast site that would augment our missiles in Alaska and give us that shoot-look-shoot. I would like your thoughts, General Dempsey, on the—you know, we look at Commander Jacoby, and he said, you know, an East Coast site would give us that increased battlespace—on your thoughts on the shoot-look-shoot doctrine and opportunity.

Secretary Hagel.

Secretary HAGEL. Thank you, Congressman. On NATO and those exercises, and our complete full support of our continued alliance and relationships, absolutely we are committed and will stay committed to those exercises, to our allies, to the entire framework, the objective, the purpose of NATO. I don't know if you are aware, but last 4 years I have been chairman of the Atlantic Council, and I have given many speeches on this specific issue all over the country, all over the world. The critical relationship that we have with NATO, I don't believe there certainly not a collective security arrangement in the world like it, hasn't been. But it is bigger than just a security arrangement. It is the one anchor that secures interests based on human rights, based on the same values of each of the 28 members, and that is a pretty significant starting point. And it can't fix every problem and it shouldn't be expected to. But to maintain and to build and strengthen that alliance is absolutely

critical to our interest, and it will certainly be reflected and is reflected in current and forward relationships.

On your comment about walking away from the relationship with the Poland missile defense issue, let me just comment on that. We talked to the Poles and our NATO allies about the decisions we made on the ground-based initiative, and I think you know and we are continuing to stay committed, they know this, the President said this, to that relationship on the European Phased Adaptive Approach. One through three, we are looking at four for a lot of reasons. There is some of that phase four that we think is too expensive and probably doesn't do the job. We are looking at that. The Poles are in compliance with that, with us, they agree. We are not taking anything out of there. We are continuing to fulfill the commitments in Poland with the Poles, as well as to NATO. So I just wanted to give you my take on that, Congressman.

The CHAIRMAN. If you have anything further on that, if you can take it for the record.

Mr. TURNER. If you could let me provide for the record your responses on the East Coast site, because you know that, obviously, since you have taken out phase four, which was the only portion that would protect the—

[The information referred to can be found in the Appendix on page 107.]

The CHAIRMAN. The gentleman's time has expired.

Mr. TURNER. That could be important.

The CHAIRMAN. Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

First off, I want to thank the Secretary and the Department for putting in the budget request an investment at NAS [Naval Air Station] Whidbey Island for the P-8A hangar and hangar modernization as we are moving P-8As there to replace the P3s.

The second point I would want to make is that as we are looking at the budget, near term and long term, something that tends to be a feast or famine proposition is the investment we make in electronic warfare. And if history is a guide, we are headed into famine on electronic warfare, and I hope that we can break that cycle in the near term and long term.

But to a few questions here for the Secretary. The President has made clear that securing and removing vulnerable fissile material worldwide is a top priority. I know Representative Sanchez asked a related question. But the DOD in a memorandum of understanding with NNSA agreed to transfer dollars over to NNSA over several years to support nuclear weapons programs, and these funds are not available to support nonproliferation programs and securing and removing vulnerable fissile material.

So why is that the case? We have one priority, it has been clear from the President, and DOD signed an MOU [Memorandum of Understanding] with NNSA to do something the opposite.

Secretary HAGEL. As I addressed part of that question previously, as you noted—

Mr. LARSEN. Right.

Secretary HAGEL [continuing]. Our specific responsibility, DOD's, with nuclear weapons is deterrence. The nonproliferation piece, as you know, has always resided in other agencies, specifically State.

Now, we are part of that, we cooperate with that, START [Strategic Arms Reduction Treaty] treaty issues and so on. We participate in that, but we don't have responsibility for that.

As we are looking at all these relationships, and in particular the agency relationship you are talking about, it is not in the budget because that is not our budget line responsibility.

Mr. LARSEN. I guess I would just note that—and we are looking at nonproliferation and nuclear weapons—that we not revert to stovepiping how we approach those issues when it comes to nonproliferation writ large, which includes our nuclear weapons program, but also includes investment in actual specific nonproliferation programs. And I would just caution us not to revert to stovepipes like we used to have many years before I got here.

Secretary HAGEL. Well, thank you. The Comptroller wanted to also add something.

Mr. LARSEN. If he can be very quick.

Secretary HALE. I will. This is a national program, as you said. We don't have primary funding responsibility. We do provide some funding through the Cooperative Threat Reduction Agency, which would be about \$500 million. Some of that goes for nuclear nonproliferation in support of other agency efforts.

Mr. LARSEN. Okay. Second question is, last year we had your predecessor, Mr. Panetta, and General Shinseki here for the first time ever to testify jointly on DOD and VA [Department of Veterans Affairs] cooperation. Have you made a commitment yet that you are going to continue the efforts that Mr. Panetta put forward to continue that cooperation with the VA, especially when it comes to electronic healthcare records and the transfer of those records and tracking these folks from the time they enter your service to the time they get to the VA and well beyond?

Secretary HAGEL. Yes, we are committed to continue to work with the VA. I just spoke with Secretary Shinseki yesterday. We have met a couple of times since I have been at DOD. We have talked many times on the phone, at a number of meetings. We have the responsibility in DOD. We produce the veterans. And we are not near where we should be. But yes, absolutely, we will stay committed and we will work as a partner and do everything we can to fulfill a seamless network.

Mr. LARSEN. Good. We need a seamless network, and I think the Department really needs to be sure that the folks working underneath you are stepping up to that commitment as well.

Secretary HAGEL. One of the first things I did when I got over there was to get into this. I was deputy administrator of the Veterans Administration in 1981 and 1982. Had a little something to do with getting their system on track.

Mr. LARSEN. I have got to launch one more question at you.

Secretary HAGEL. Okay, go ahead.

Mr. LARSEN. Are you in favor of closing Gitmo [Guantanamo]? And do you believe that you have any authority to transfer any detainee for any reason, whether that is judicial, medical, or military?

Secretary HAGEL. Well, I support the President's position on Gitmo. The reality is that we have responsibility for Gitmo now. There are 166 prisoners there now. That is where we are. So, as Secretary of Defense, I have to assure the security of that facility

and all of the responsibilities that go with that detention facility, including the people that we have down there. And so that is my responsibility.

Mr. LARSEN. Just for the record, the answer to the second question, if he believes he has any authority to transfer for any reason, judicial, medical, or military?

[The information referred to can be found in the Appendix on page 107.]

Mr. LARSEN. Thank you, Mr. Chairman.

The CHAIRMAN. We will hear now, Mr. Kline, we will turn to you, and then at the end of your questioning we will take a 5-minute recess. Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman.

Thank you gentlemen for being here. I have got a question that is a little bit off of the budget and so I don't want to be guilty of ambushing any of you with this, but I just want to talk for just a minute and then ask a question about the Medical Evaluation Board backlog. And I don't know if this is something that you are on top of, and so of course I will be happy to take the answer for the record.

But we have just got an awful problem out there that is affecting our soldiers. The Minnesota National Guard, for example, now has 168 of these Medical Evaluation Board cases pending. The National Guard Bureau Surgeon's Office reports 5,269 open cases, and the average adjudication time—the average adjudication time for Minnesota cases is currently 4½ years from the date of injury, and that is about the national average. It is an awful situation. And for the Reserve Component, for the Guard these soldiers have to travel to a base where there is an Active Duty surgeon, doctor, medical doctor, that can make the determination. It is a blow to morale, it is incredible that we have allowed this system to deteriorate in this way.

And so my question is, what are you doing about it, and what can we do to help if you need legislation? And again I will be happy to take it for the record, but I don't want to let it slip by. It is something that we have to address. And I am astonished that it could have gotten to this point where you have these soldiers who are being almost literally jerked around as they have to travel sometimes halfway across the country to go and be evaluated and then come back and then have to turn around and go back again and take years to get the question answered. And this affects, of course, their ability to be retained, and it is an important part of the process.

On another subject, because we are in an awful budget pinch, which we have talked about and we have seen the President's budget and your comments about it, I wonder if you, that the OSD [Office of the Secretary of Defense] or the Joint Chiefs, so either one of you have taken a serious look at the possibility of consolidating any part or all of the 16 DOD agencies or looked at the possibility of combining combatant commands like NORTHCOM [Northern Command], SOUTHCOM [Southern Command], EUCOM [European Command], AFRICOM [Africa Command]. These commands, I understand, were important. We created AFRICOM at a time of a lot of money and a lot of troops, the bizarre position of

not even having a headquarters in Africa. And these headquarters take not only four-star generals, but then the appropriate number of lesser generals and SESes [Senior Executive Service] and staff, and then everybody has to have their own intelligence center. And it just seems to me that now is the time to look at that, and I would be interested in any thoughts that either of you have about that possibility.

Secretary HAGEL. Congressman, thank you. On your first question, that is intolerable, that is unacceptable. I was not aware of the specifics that you mentioned. I will become aware of them, we will get back to you, we will give you a complete answer and what we are doing about it.

[The information referred to can be found in the Appendix beginning on page 116.]

Mr. KLINE. Thank you.

Secretary HAGEL. So on the second question, I am not aware of any serious consideration of consolidation of commands or any of those structures. Now, I am going to ask General Dempsey to respond.

But I would say that as we get deeper into the strategic priorities and management review, I don't know whether your specific questions would be addressed exactly the way you addressed them, merging some of the combatant commands, and nine combatant commands we have now. But certainly pieces of those will be reviewed in this review.

So, let me now not use any more of your time with me on this because the Chairman will have a better answer.

General DEMPSEY. We are looking at the fourth estate, which is the defense support agencies, and we are also looking at the combatant commands, and not only them but the component commands that reside under them. We are looking at the architecture in its entirety.

Mr. KLINE. Thank you. And we would, of course, appreciate you sharing how you are doing on that with the committee as we go forward. I just think now is the time to do it. And so I appreciate the answer from both of you.

And, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

And, Mr. Secretary, when you respond to the gentleman, could you also give that to the committee? Because I think all of us are having that same problem in our districts. It would be good for us to see that.

Secretary HAGEL. I will.

The CHAIRMAN. The committee will now stand in recess. We will reconvene at 12:15.

[Recess.]

The CHAIRMAN. The committee will come to order.

Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Secretary. And I would like to welcome Secretary Hagel, General Dempsey, and, of course, Under Secretary Hale.

Gentlemen, in the 11 years that I have been in Congress, I have always wanted Guam to be better known. But I certainly didn't think it would be under these circumstances. And, Mr. Secretary,

I want to thank you for your leadership and proactive approach with respect to the current North Korean threats, and your willingness to reposition a THAAD [Terminal High-Altitude Air Defense] missile defense system on Guam is certainly very reassuring news to my constituents and to the military on Guam.

I also appreciate the Department's continued commitment of significant funding for the realignment of Marines from Okinawa to Guam. We have made some positive progress this past year, and I think the fiscal year 2014 budget builds off this progress.

Mr. Secretary, I read in your statement that the fiscal year 2014 budget protects or increases key investments in missile defense at a cost of \$9.2 billion. One aspect of this missile defense is to protect against ballistic missile threats, and the Department is procuring additional THAAD interceptors and Patriot missiles.

Now, the EIS for the Guam realignment called for a permanent THAAD and Patriot missile defense system on Guam. Given the unpredictability of the various actors in our region, can we expect the recently deployed THAAD to remain on Guam permanently, which would be consistent with the EIS?

Secretary HAGEL. Congresswoman, thank you. And I appreciate very much your comments. I am going to make a brief comment in response and then ask General Dempsey to be more specific.

You ended your statement with the observation, which is correct, of the uncertainty and the unpredictability in your part of the world right now, and that is what we have to factor in, in all our decisions as we prioritize where are the threats, where are they coming from, where they may continue to come from. So our decisions on THAAD, on all our platforms, are always evaluated on that basis, and it specifically addresses your area in Guam.

Now, with that, let me ask General Dempsey to be more specific to answer your question.

Ms. BORDALLO. Thank you.

General DEMPSEY. When we deployed THAAD we did so with the idea that we would review the decision in about 90 days, and that is because we only have one right now. We have another one in training and another one that will come on the year after that. And it would be prudent for us to wait to decide whether to leave it there permanently until we see how the rest of the world evolves in terms of ballistic missile threats. Right now Guam is protected from the sea by an Aegis system.

So our commitment to you is we are not going to leave Guam unprotected. This particular capability may or may not stay there permanently.

Ms. BORDALLO. Well, General and Secretary, I would respectfully request that we have something there permanently.

My second question is, as the ranking member of HASC [House Armed Services Committee] Readiness Subcommittee, the reductions already made to military forces and those requested of DOD in the coming years simply do not draw a parallel to the current threats facing our Nation. So, Mr. Secretary, I would like you to describe your level of confidence in the readiness of our force and your ability to meet existing commitments in the next 5 years. How will you know when we have reached a readiness crisis and how

will you know that the force is not ready? What are the triggers or the metrics that make such a situation evident?

Secretary HAGEL. Thank you. First, as you know so well, readiness is our first priority. And I will begin with some of the conversation we have had this morning on the whole point behind the Strategic Choices and Management Review that I directed about a month and a half ago, which Deputy Secretary Carter and General Dempsey are leading, because it focuses right on that key question of readiness and when and how and when will we not know and when will we know and all the components of that.

That is why we are doing this. That is why we are looking at everything, factoring in every budget reality, what may happen, what may not happen. But that is the essence of what we do in our main responsibility, having the capability to be ready, to respond, take initiative, agile, flexible, competent, capable, with a force structure, and everything else has to support that.

Ms. BORDALLO. Thank you.

The CHAIRMAN. Thank you.

Mr. Chairman, could I ask one further small question?

The CHAIRMAN. No. The gentlelady's time has expired.

Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

And thank you gentlemen for your service to our country and for your attendance today.

Mr. Secretary, I represent the Anniston Army Depot in Alabama. Several thousand employees have dedicated their careers to supporting our warfighters and they have served side by side with them here at home and in theater. The Department sent furlough notices across the entire civilian workforce. My question is, when it comes to the Anniston Army Depot and similar maintenance facilities like it that are funded through the Defense Working Capital Fund, which is fully funded and in fact has carryover work through into next year, why are they being issued furlough notices?

Secretary HAGEL. Congressman, thank you. I don't believe we have sent any furlough notices out.

Secretary HALE. We have notified the Congress of the possibility of furloughs on February 20th, but we have not sent out individual notices of proposed furloughs to employees. We have said we may have to, but it is still being considered.

Mr. ROGERS. Would that "may have to" include installations that are funded by the Defense Capital Fund that is fully funded for this fiscal year?

Secretary HAGEL. Well, we are going to have to exempt some civilians for safety, security, the areas that are of highest priority. As to your specific question—

Secretary HALE. Yes, it could. I mean, we haven't made a final decision. And the reason is, although you say they are fully funded, frankly, we are having terrible cash problems in all of our depots right now because of the reduction in workload, which is understandable given what is happening to the budgets that pay for them. So we have not made a final decision, but it could include some of the depot workers.

Mr. ROGERS. Under what basis, since the money is there, it has already been paid? I mean, they literally have carryover work well into the end of next year that is funded.

Secretary HALE. Well, as I said, the working capital funds have to break even on a cash basis by law, we can't go below zero, and we have a cash crisis in virtually every one of our depots because the workload is being drawn down in many of them. So again I want to restate we have not made a final decision either way. But I can't sit here and tell you no chance there would be any furloughs of depot workers.

Mr. ROGERS. If in fact it does happen, I would really love to have a much more detailed conversation with you about how that could arise. But thank you.

Mr. Secretary—

Secretary HAGEL. Excuse me, Congressman, if I may, to get to your point, your request, yes, we will. We obviously, if we have to do that and make any of these tough choices on furloughs, which as you know we have been talking about, hopefully we won't have to or at least minimize it. As you know, we have moved from 21 to 14 and maybe we can get better, maybe we can't. But we would let the Congress know of our actions.

Mr. ROGERS. Thank you. Mr. Secretary, your predecessor, Secretary Panetta, stated in here that he believed that the treaty route, with confirmation by the Senate, was the only appropriate way to undertake nuclear reductions with another state. Do you concur with that observation and that position?

Secretary HAGEL. Well, generally, that has been the route that we have taken. I mean it has been Soviet Union, Russia. And for the reasons treaties are important, I have always supported.

Mr. ROGERS. Well, there was an attempt under the Bush administration to try to outside the parameters of a treaty, as you know, you were in the Senate at the time.

Secretary HAGEL. Yes.

Mr. ROGERS. That was criticized soundly then for trying to get around the Senate and that it would not be verifiable. So I hope that you still feel as you did when you were a Senator that the Senate should have to ratify any nuclear arms reduction agreements.

Secretary HAGEL. Well, I think all those treaties are important, that route, that process, if for no other reason than what you just noted. It brings the American people into it, it brings the Congress that represents the American people into that process. Now, there may well be, as we get into complicated pieces here down the road, some variables to, well, can we do something better this way than a treaty? I don't know. But you look at all the options, you look at all the ways to accomplish the purpose and the end mean. But overall I have not changed my opinion as I sit here from where I was in the Senate.

Mr. ROGERS. Thank you.

General Dempsey, do you believe that such an agreement would be verifiable outside the parameters of a treaty if confirmed by the Senate?

General DEMPSEY. That is obviously a policy decision. What I have said as the military adviser is that any further reductions should be done as part of a negotiation and not unilaterally.

Mr. ROGERS. Thank you both and all of you for your service again.

I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman. Thank you to the witnesses for your thoughtful testimony and endurance this morning.

I want to ask Secretary Hagel a question about Afghanistan, but before I do I just want to run through a couple quick points as long as I have got you here. Number one, Secretary Panetta did, I think, make auditability of the Pentagon a priority, which a number of us, with Mr. Hale's assistance, have been pushing for on this committee, and I hope again that you will continue that effort. As we are dealing with budget issues, we have to see what we are doing, and waste and duplication, it is there, we know it, auditability will help that cause. And I did get your letter, and I want to thank you, that expressed your commitment to that.

Secondly, on export controls, the Department did move forward about a few weeks ago to try and simplify the system of export controls for our defense manufacturing industrial base who are going to be, again, under a lot of pressure. You know, things like valves and helicopter parts and engine parts which have been restricted because of ancient, outdated regulations needs to be changed. And, again, good progress recently, and, again, I hope under your leadership that effort will continue.

The last point is, is that the budget document tries to frame BRAC in the context of the Budget Control Act; 2021 is the time-frame of the Budget Control Act. As someone who has spent 7 years on the Readiness Subcommittee dealing with the 2005 budget BRAC, which is not going to generate a penny of net savings for 13 years, no prior BRAC has been able to do that in less than 6 years, frankly, that is just a case that doesn't work. There may be other reasons why people want BRAC, but doing it in the context of the Budget Control Act, frankly, for a lot of us who have spent a lot of time on this issue, that just doesn't work.

But my real question this morning is, again, you made your visit to Afghanistan, and I compliment you on the elegant response when you were asked about the situation there and described it as complicated. You know, I would just say, as someone whose district, we lost a Marine captain from Madison, Connecticut, whose funeral was a few weeks ago, who was the victim of so-called friendly fire, again 2014 we all get it, that is sort of the end date, but are you going to be coming to us with sort of your own thoughts now that you have had some opportunity to digest the situation over there about, between now and then, what is the pace? Is there, again, going to be sort of more feedback to us in terms of what your thoughts are on this conflict, which really should be our number one priority on this committee with 66,000 troops in harm's way.

Secretary HAGEL. Thank you. And thank you for your first two comments, and we will continue to work together on those.

On your question regarding Afghanistan, first, you are exactly right, it is our first priority. We are at war, we have 66,000 Americans there, and we have been there 12 years, and there is no higher priority. And we will continue to do everything to support that mission and make that the highest priority.

As to your larger universe of thoughts on my thoughts regarding drawdown times and so on, when I was in the Senate I went to Afghanistan many times. Matter of fact, was in the first congressional delegation that landed there—I think it was 1 o'clock in the morning—under [unintelligible] in January of 2012—or, I am sorry, 2002. And doesn't mean I am an expert on it, but been back many times since. I support the current process, drawdown time. How we are doing it responsibly, I think it is critically important we do this responsibly. One of the first, maybe the first question I guess this morning was about Afghanistan from the chairman, about the Bilateral Security Agreement, and that is the centerpiece of how we continue to unwind and transition.

I think that is the correct course. There are a lot of things that have to happen and be put in place, BSA being one of them. We have to be mindful of all the dynamics, Pakistan, so on. I will always be available to you on any basis for any question, whether you want to call me or have a one-on-one privately on this or my thoughts to any member of this committee.

But just suffice to say, I think we are on the right course. We are doing it the right way. It is not done yet, a lot of problems. Question was asked about the OCO budget, how come we are not drawing that down because we are drawing our guys out. A lot of expenses yet remain, a lot of uncertainties, you know that.

Every day I get a report, start the morning on Afghanistan. General Dunford was in 2 days ago. We spent 2 hours with him. As you know, the Chairman was just there last week. So there is no higher priority in the focus of DOD than getting this right, getting our people out safely, and doing what we have got to do.

You mentioned the green-on-blue attacks, those kinds of things, huge problems. We are going to have to continue to deal with those. We have got NATO partners in there, ISAF [International Security Assistance Force] partners in there. Then the bigger question which came up here today is what kind of residual force do we leave behind. Define, train, assist, and advise, the President has said that will be our role. I think that is correct. But still a lot of pieces out there. So I am available to you or anyone else at any time to give you my thoughts. Thank you.

Mr. COURTNEY. Thank you Mr. Secretary.

The CHAIRMAN. Thank you very much.

Mr. Franks.

Mr. FRANKS. Well, thank you, Mr. Chairman.

Thank you gentlemen for being here.

Mr. Secretary, thank you for your presence here today, sir.

During the March 15th press conference on missile defense, Dr. Jim Miller stated and related to North Korea that, quote, at that time, the threat was uncertain, right, we didn't know that we would see today what we are now, close quote. In other words, it sounds a little like that we were waiting on the North Koreans to succeed in developing missiles to attack the United States before

we would need to improve our own missile defenses. And I just have to ask the hard question: Is this going to be the posture of the Obama administration in dealing with the evolving Iranian ICBM program? Do we need to wait for success by the Iranians before we deploy an additional capability or are we going to try to anticipate the evolving threats and be ready to meet them before they are deployed?

Secretary HAGEL. Congressman thank you.

Let me begin with this. You know what this administration's policy is on Iran. The President has been very clear about that, preventing Iran from developing a nuclear weapon.

Mr. FRANKS. I don't think the Iranians are as clear on it as the President would like for them to be.

Secretary HAGEL. Well, there are a lot of things that we would like the Iranians to be clearer on. But I think the President has been very clear on this. Our allies have been clear on this. We have, as you know, many channels working on this, diplomatic, P5+1 [United Nations Security Council plus Germany], which has met recently. The most significant international sanctions against a country, certainly, I think in our lifetime, U.N. supported.

So we are working all the dynamics on this. Our force structure in the Arabian Sea, our capabilities, our military options, contingencies. So, no, we can't control internally what decisions are made, what they do. We are trying to have some influence over the Iranian leadership's decisions. Whether that will have an effect, the right outcome, the right effect, I don't know.

But again, I think the President's position on this is right and has been right, and we will continue to go forward on that basis.

Mr. FRANKS. Mr. Secretary, I guess my concern, as you know, I appreciate the commitment to sanctions and those things, I believe they are right and good. But to rely upon them without the backup of clarity that the Iranians would understand I believe is a mistake. We have sanctioned North Korea practically into starvation for nearly 50 years, and we find ourselves exactly in the place that we are today. So I am hoping that, you know, my hope was that somehow we could catalyze a commitment on the part of all of us to be ready for whatever they decide to do, and that is my main concern.

General Dempsey, I would maybe ask you a question now. We see senior lawmakers in South Korea openly calling for South Korea to consider developing its own nuclear weapons deterrence. A recent poll shows that two-thirds of the South Korean public supports such a move. Similarly, we have seen calls by South Korean officials to redeploy U.S. nuclear tactical weapons to South Korea as a clear demonstration of the United States extended deterrent commitment.

So I guess I would like to ask you, with that in mind, what actions do you think that we should be taking to strengthen our nuclear assurances to South Korea? Do you feel that redeploying U.S. tactical weapons, nuclear weapons to South Korea to strengthen our assurances is the best way? Or do you think it would be preferable for South Korea to do as they would like to do, to develop their own nuclear weapons capability?

General DEMPSEY. Well, we are not encouraging any of our allies to develop. We have been very clear about our extended deterrence and assurance. And I think some of the actions we took in the last week or so with B-52s and B-2s were a clear demonstration of that.

Secondly, we have been working with the South Koreans on revising their national missile guidelines to give them a ballistic missile capability to be able to range further than they had been able to range previously.

So I think we are in about the right place, at least military to military, the public proclamations notwithstanding.

Mr. FRANKS. But are you able to address the issue of U.S. nuclear tactical weapons in South Korea?

General DEMPSEY. No, we do not advocate the return of tactical nuclear weapons to the peninsula.

Mr. FRANKS. Mr. Chairman, thank you very much.

And again, thank you gentlemen.

The CHAIRMAN. Thank you.

Mr. Loeb sack.

Mr. LOEBSACK. Thank you, Mr. Chairman.

Thanks to both of you for your service, and Mr. Hale as well. Appreciate the opportunity to ask a couple questions on the readiness front, if I may. I do appreciate everything that our industrial organic base provides. I think we all understand how important that is, especially, obviously, when it comes to our arsenals, our depots, our ammunition plants, et cetera. And thinking about going forward in the event that we have another contingency, we have to be ready. There is no doubt about it. And that industrial organic base is going to be very, very important, as it's shown to be the case with these last two conflicts.

Now, I think that to preserve our readiness, we have got to make sure that that industrial base stays warm during peacetime as well, and I think we can all agree on that. Mr. Secretary, you have indicated that reductions in the civilian workforce would be based on analysis designed to preserve essential skills and capabilities. We have to be able to do that at those arsenals, those depots, whatever the case may be. Can you specify how that analysis, any actions proposed by the Department would, in fact, preserve those capabilities found within that organic industrial base and ensure that we maintain that highly skilled workforce, something that is absolutely essential? Can you elaborate on that a little bit?

Secretary HAGEL. Congressman, thank you.

First, I agree, and I think the entire leadership of DOD agrees with your emphasis on how critical it is to preserve that industrial organic base. So there is no issue there. Now, how do we do it in light of the kind of budget realities we are facing? Well, that is all part of the prioritization of balancing, as the General noted two or three times this morning. How do you balance all this and keep that readiness, but also preserving—in the Chairman's comments he got into this, this morning in his statement—preserve the ability for the longer term, for the future. And if you erode that base, then you are going to have a huge problem.

One of the things that I have noted and the Chairman has, the chiefs have said that we are consuming our readiness at the cost

of the longer term as we allow that base, if that happens, to erode. So we are going to do everything we can to preserve that base because it is critical to our future capabilities.

Mr. LOEBSACK. And if we have a conflict down the road and we have let that base erode, it is going to be more costly in the end to get it back up and running again. And so we need to keep that in mind throughout as we are making these decisions, and I appreciate that.

One other question I have about the Reserve Components, National Guard and Reserve. I appreciate your response earlier, Secretary Hagel, but I would like to turn to General Dempsey and maybe drill down just a little bit more deeply if we could. We all understand how important the Guard has been, the Guard and Reserve, in these two conflicts, the Title 10 missions that they have been on. We also understand how important they are for domestic responses to tornadoes, earthquakes, all the rest. If you could, General, just talk a little bit more about the coming years and how you see Active Duty versus Reserve Components that balance how we are going to maintain that balance, and, in particular, to keep those Reserve folks there in the event, because I assume we are going to still look at them as an operational force. How does that play out moving forward?

General DEMPSEY. Hopefully, it won't be Active versus Reserve Component. We have actually read that book and some of us have that T-shirt.

Mr. LOEBSACK. We had a bit of a concern about that with respect to Air National Guard.

General DEMPSEY. Right. No, I know.

Mr. LOEBSACK. Keep that in mind

General DEMPSEY. I keep it in mind. I absolutely have it in mind. And so the idea here is we take a look at the total force, and I really do believe in the total force, and we determine which capabilities have to be immediately available and those need to be in the Active Component, and the ones that can wait for some period of time, we migrate those elsewhere.

We have got the Chiefs and General Grass, the Chief of the National Guard Bureau, we have a Reserve representative on the Joint Staff. And as we go forward we will figure out how to have the right balance of capabilities. But make no mistake about it, if we go to full sequestration and maybe even something less, all of the components will be affected. But the commitment we have made is that we will go after this answer as a total force.

Mr. LOEBSACK. Thank you.

Just one last point I would like to make. I do want to associate myself with Congressman Wilson and his concerns about the benefits. I know we have to make tough decisions and there are going to be tradeoffs we have to make, we are going to have limited budgets, there is no doubt. But at the same time these are folks, as we all know, who volunteered, and we have to make sure we treat them, I think, with the dignity and the respect they deserve. So thank you very much.

The CHAIRMAN. Thank you.

Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Chairman.

And thank all of you for being here today. My question deals specifically with MEADS [Medium Extended Air Defense System], Mr. Secretary. During your confirmation process you assured your former Senate colleagues that you would uphold the NDAA prohibition on funding MEADS. What has changed that and why have you moved forward with it?

Secretary HAGEL. Well, what has changed is the appropriations bill that was passed a few weeks ago that put the money back in the budget to fulfill that last year commitment. According to our Office of General Counsel, and I asked for legal advice on this, they have told me that we are obligated to finish that contract as a result of that appropriations directive with the money, and that is what has changed.

Mr. SHUSTER. Well, I respectfully think you need to get some new lawyers, because I believe it is pretty clear in the NDAA we said the final only obligation in 2012, and then in the language we have used, it is a prohibition on the use of funds for MEADS.

In addition to that, it is foolish for us to be spending almost \$400 million on a system that nobody is going to procure, nobody is going to buy. And in the times we face today with North Korea rattling their saber, in this case rattling their missiles, we ought to be focusing on missile defense. And I see that the President's budget cut over \$500 million in missile defense. I mean, this to me is just foolish to be spending \$400 million on a system that just is never going to be deployed.

Secretary HAGEL. I am not here to defend MEADS, but I would respond this way, aside from what I have already said about our legal counsel advising me that we are obligated to make that last payment. Two other points.

Mr. SHUSTER. They say you are obligated under what law?

Secretary HAGEL. Under appropriations.

Mr. SHUSTER. And again, this committee, the committee and the Senate Armed Services Committee, we write the laws, the appropriators just cut checks. So the law is pretty clear.

Secretary HAGEL. Thank you. But that was the advice I got from counsel. We went into it at some detail, and that was the decision I made. There are a couple other facets to this to respond to you. And again, I am not here to defend that system. That was all in place long before I got here.

There would be, if we didn't fulfill that commitment, there would be litigation costs and there would be penalty costs which might have actually gone more than what we are going to do to fulfill our obligations to our partners, Italy and Germany, on that. Actually, there are some things that came out of that as I have asked a lot of questions about this, because I have gotten hit and will get hit again with questions on it and should be. What did we learn from this? Is any of this applicable for us to go forward? And I am told by our missile people there are a lot of things that we can use. Now, I know that doesn't satisfy with your question and concern.

Mr. SHUSTER. Not only doesn't satisfy, but the fact that there is a 2005 memorandum of understanding that clearly states the responsibilities of the participants will be subject to the availability of funds appropriated for such purposes. And again, we passed a

law that prohibits that, so it seems to me that your lawyers are wrong again.

And as far as the components of interest, the MSE [Missile Segment Enhancement] interceptor is something we want, we are already integrating it into the Patriot missile system. And the other thing that we want, the 360-degree radar is under a stop work order because of the funding of the Germans and the Italians.

So, again, the American people, the taxpayers are paying for something that is never going to be deployed while we have reaped, we have harvested the technology, the main technology that we wanted on the system. So again, we are going down a path here.

And we have got North Korea, everybody is seeing the news, who knows what that crazy guy is going to do? But we have to make sure we are beefing up our missile system, and the President's budget cuts it by, I believe, \$550 million. This is irresponsible. And again, you as the Secretary, I think you need to go back, I think you need to talk to your lawyers, because I think there is probably grounds here to sue the Department of Defense, and now we are going to get into litigation. And I think you have a responsibility to the American people first and foremost and get another crew of attorneys in there to make sure they understand the law.

Secretary HAGEL. I will ask them a question again. Thank you.

Mr. SHUSTER. I yield back my time.

The CHAIRMAN. Ms. Tsongas.

Ms. TSONGAS. Thank you, Mr. Chairman.

I would like to return to the issue raised by Mr. Turner, the issue of sexual assault in the military. And I, like Mr. Turner, commend you, Secretary Hagel, for recognizing the need to reform Article 60 of the Uniform Code of Military Justice, especially so soon after coming into this position, and for your proposal to eliminate the ability of a convening authority to change findings after a court-martial. I think we were all shocked by the recent decision by a military convening authority, a general who had this authority under the Uniform Code as it currently stands, to throw out a jury verdict in a sexual assault case. And I appreciate your commitment to solving this problem.

I would also like to thank you, General Dempsey, for all your efforts to prevent sexual assault in the military. I know we all appreciated very much your visit to the Hill last year to announce changes to the way the military handles sexual assault, and I admire the willingness you expressed in your written testimony today to explore new options and new ideas to confront this scourge.

To give you a sense, we all know the numbers, but to give you a sense of the enormity of the issue, last year I attended, it was a gathering of women and men who had been assaulted while serving in the military. It was here in Washington under the umbrella of a service organization that has really worked on this issue. And I walked into a ballroom full of people who had been assaulted while serving in the military. It made the issue very real.

And many members of this committee, we have been working on it for years, those who are more new to it, those who have been here over the many years and obviously we have had the support of our chairman, of Ranking Member Smith. So as a result, we have put a lot of tools in the toolbox for the services to begin to

really to give you just more tools, to finally come to a better place than you certainly are today.

Last year's defense authorization included language that created an independent review panel to review and assess the systems used to investigate, prosecute, and adjudicate crimes involving sexual assault and the related judicial proceedings. I know you mentioned it, Secretary Hagel, in your written testimony. But how will you go about the process of appointing people to this panel so that we have a group that is really willing to be bold and thoughtfully examine both military culture and the Uniform Code of Military Justice so that we can get a better handle on stopping these crimes?

Secretary HAGEL. Congresswoman, thank you. And thank you for your leadership over the years as well other members of this committee. I am well aware of what you have done and continue to do, and we thank you, and I look forward to continuing to work with you. We have a lot more to do, as we all know.

On the sexual assault panel question, I am currently reviewing a list of names that had been brought forward from my office. That list started to accumulate actually before I arrived at the Pentagon. It has come from different services, the General Counsel's Office, all the components of DOD, to reflect individuals who understand this issue, are aware of this issue, have something to contribute if they were part of this panel. I am currently reviewing those names, and I think, according to the law, the Secretary has five designates on that panel. I think four come from the Congress, if I recall. So, I will make a decision on those panel members shortly and will be letting the Congress know about that decision.

Ms. TSONGAS. Well, I would encourage you to get a diversity of opinions, those who can take a clear-eyed look at the services and what they are doing and not simply those who—they are remarkable institutions. These crimes do such great harm to all the wonderful work that the services seek to do in protecting our country. But I think you can stand up to the harsh scrutiny of those from the outside as well and move ahead in a way that really does make a difference in the long run.

I did a recent screening of "The Invisible War" back in Massachusetts and people are scandalized at what they are learning, and it just doesn't serve you well. So I encourage you to be very bold in the group that you suggest and bring forward.

Secretary HAGEL. Well, I will tell you that that group will be diverse, and that is the whole point of a panel like this, and that is why I am taking time personally going through it.

Ms. TSONGAS. Thank you. I look forward to working with you.

Secretary HAGEL. Thank you.

The CHAIRMAN. Thank you.

Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman.

Secretary Hagel, welcome to your new responsibility. Mr. Hale would be disappointed if I didn't at least talk to you a little bit about auditing and the auditable financial statements of the Department of Defense. Your predecessor did a great job of creating the forward momentum to get this job done. The risk, of course, is change in leadership and now with sequester and all the other

challenges that are out there, this issue might be one of those that could slip to a back burner. And I just appreciate your letter that you sent me the other day, but on the record here that you are as committed as Secretary Panetta was in getting this heavy lift done.

Secretary HAGEL. I am just as committed as Secretary Panetta. I am not near as smart as Secretary Panetta on these things. He had a long history of these kinds of matters, starting in this institution, as you all know, some of you served with him, on budget issues and actuarials and statements that actually made sense. So, yes, I will pick up where he left off. I already am. The Comptroller and I have had many discussions about this, as well as others in the institutions. Everybody is committed to get this done, and everyone is exactly where Secretary Panetta was and where we will continue to be.

Mr. CONAWAY. Well, thank you, Secretary. I appreciate that. That is music to my ears. And I know you have some hard decisions ahead as you try to allocate resources across an awful lot of competing issues, but this is one that I appreciate your personal support. And I want to publicly acknowledge Bob Hale's yeoman-like work that he has done on this issue for years. It is kind of like Sisyphus, he keeps pushing this ball up and it keeps falling back on him, but he has done great work.

Let me turn to Syria a little bit. It has been reported last month in the open press that Syria used chemical weapons or that chemical weapons were used. The President has stated over and over that that is one of his red lines about if that is the case. If a red line is crossed and we have to enact the plans, and I am assuming that General Dempsey and his team have put in place to do whatever it is we need to do, the question comes, how do we pay for that?

And I think the chairman has sent the White House a letter recently asking that if we do something like that in these times of budgetary issues, that that ought to be a supplemental or a separate appropriations to do that rather than ask you to take that out of hide. Can you give us some thoughts on that?

Secretary HAGEL. Thank you. And I will let the Chairman respond specifically. But let's start with the question of how do you pay for it if we do something, and what we have to do and what we would do. Yes, I think it is pretty clear that a supplemental would be required. And, again, I am going to leave the specifics of that to the Chairman.

Second, yes, we are preparing, have prepared, continue to prepare contingency plans, options for the President, all options on all situations, as to Syria using chemical weapons. As you know, the U.N. has empanelled a body to go in, but that is not moving forward very quickly, go in and investigate, take a look. What we have said publicly and what we believe, the United States, is that we have not detected use of chemical weapons. We stay very close to that. Obviously, if that line is crossed, then we have got a different situation. Then you get into the next set of dimensions to this if chemical weapons fall in the wrong hands.

It is a very unstable, unclear situation in Syria, a lot of bad elements in play there. So this is a serious and complicated problem that we all have. The borders around there, the refugees. So this

has to be handled pretty carefully. And I think the way we are proceeding here is responsibly. But the bottom line is that we may have to take some different action if that is required.

Let me stop there, not to use up your time, ask General Dempsey for his thoughts.

General DEMPSEY. I will just reaffirm what the Secretary said. It would take a supplemental.

Mr. CONAWAY. Thank you, gentlemen. I yield back.

The CHAIRMAN. Thank you.

Ms. Hanabusa.

Ms. HANABUSA. Thank you, Mr. Chair.

Thank you for being here. This hearing is about basically the 2014 Department of Defense request for the budget. My problem is that as soon as we mention budget and what is the premises that we have in it, I am stuck. And let me explain to you why.

First of all, the assumption is that the sequester will be repealed, and that is what your budget is based on. That is one thing. You know, I mean, we assumed that sequester would be repealed before we went into this continuing resolution cycle, and it didn't, and we know what the consequences of that has been.

The second part of it is that the Budget Control Act of 2011 also has the second component, which is the caps on spending. And that brings us back to a discussion we have had many times in this committee which is what does that \$487 billion that we have been promised, what does that represent?

And, Mr. Secretary, in your speech before the National Defense University, you called it a reduction, you said it reduced the Department's planned spending by \$487 billion. That sort of sounds to me like the caps of the Budget Control Act. It is like, you know, we are going to hold down our spending. And then, also, as part of this proposal, is \$150 billion worth of savings.

My problem is I need to understand how all of these interact with each other, because if the assumption, the fundamental assumption is we must get rid of sequestration, we all will have colleagues who would want to know how are we going to pay for the \$1.2 trillion in terms of defense? And I understand the first 2 years of that was basically a 50 percent burden by the defense, the President comes up with a proposal of \$1.8 trillion, of which defense is going to comprise \$150 billion. But in order for us to get all there we are building this on a whole series of assumptions.

So if you can start by first telling me what is the \$487 billion? Do you intend for that to be applied to the caps? Or do you intend for that to be part of sequestration satisfaction? So where does that go? And after that, then why, if we are doing all this, why do we still need to talk about the "B" word, which no one likes, which is of course BRAC? Mr. Secretary.

Secretary HAGEL. Well, that is probably 3 or 4 hours' worth. But let me try it this way because you asked all the right questions and so on. Let me start with your first question: assumption that sequestration would not occur. That is the whole point again of why I directed a Strategic Choices and Management Review, because, as you know, you noted it, in Budget Control Act 2011, that is law. And so, we are looking at that possibility, as the months tick off, the real possibility that is what we are going to have to live with.

So that is part of the review. So we are not assuming anything. That is why we have undertaken a review, partly.

Second, why then if that is the case did you come up with the budget you did? Well, as you know, the House, Senate resolutions are essentially the same numbers for defense. So it is not that the President is out there somewhere in the ether; it is consistent with the resolution that the House and Senate passed.

Probably more fundamental, as the Chairman and Mr. Hale know so very well, it takes a long time to build a budget. You can't build a budget of a \$600 billion enterprise in a month or two. You have got all the pieces here that have to play into everything. So that is a component here that sometimes gets overlooked.

So we are looking at everything. We are not assuming anything. Matter of fact, one of the points that I make in the review and I said in the speech I gave over at NDU is that we need to challenge every past assumption. I used that terminology for the obvious reasons. The \$487 billion referred to, I don't have my speech in front of me, but what I think what that was referring to, what I was referring to is what DOD has already started to absorb over a 10-year period as a result of a previous agreement between Congress and the President. That is what I was referring to.

Now, if I have not further complicated it. Thank you.

Ms. HANABUSA. Thank you.

I will yield back.

The CHAIRMAN. Thank you.

Mr. Lamborn.

Mr. LAMBORN. Thank you, Mr. Chairman.

Thank you all for being here and for your contributions.

Secretary Hagel, I would like to ask you a question first. On March 15th, when you announced that we would be able to have additional interceptors, you were standing next to Admiral Winnefeld, the Vice Chairman of the Joint Chiefs of Staff, and he said, and I am quoting from the transcript: We believe that KN-08, the North Korean missile, probably does have the range to reach the United States. And would you agree with that statement?

Secretary HAGEL. I don't recall him making. I wasn't there—I don't know if I was there or not. I am not sure if he was referring to Hawaii, which is part of the United States, as we know. So I don't know if that is what he was referring to. Certainly, as I said, there are things we don't know. So I will ask him if he was, and I will ask the Chairman.

General DEMPSEY. Let me help a little bit here. You recall the Taepodong-2, which launched the satellite, the North Korean satellite into space. That had a third stage. And it is that third stage that was kind of the breakthrough for the North Koreans. And I think what Admiral Winnefeld was saying is that now that they have that third stage technology apparently under control, it could very well migrate to the KN-08.

Mr. LAMBORN. Okay. Thank you. And, General Dempsey, I would like to ask you my next question. The Defense Intelligence Agency [DIA] did a study that was finished last month. Now, while the contents of the study are classified, the conclusions and certain statements are not classified. And quoting from the unclassified portion which I believe has not yet been made public, they say

quote, "DIA assesses with moderate confidence the North currently has nuclear weapons capable of delivery by ballistic missiles, however the reliability will be low."

General, would you agree with that assessment by DIA?

General DEMPSEY. You know, Congressman, with the number of caveats you put on the front end of this, I can't touch that one because I am not sure now. It hasn't been released. Some of it is classified, some of it is unclassified. Let me take that one for the record.

[The information referred to is classified and retained in the committee files.]

Mr. LAMBORN. Okay. Let me repeat. Maybe I caught you a little bit off guard here because you have had so many questions today, and I understand this is a lengthy process. But they concluded, and this is public, this is unclassified, so I can make it public, DIA assesses with moderate confidence the North currently has nuclear weapons capable of delivery by ballistic missiles; however, the reliability will be low.

General DEMPSEY. And your question is do I agree with the DIA's assessment?

Mr. LAMBORN. Yes.

General DEMPSEY. Well, I haven't seen it and you said it is not publicly released, so I choose not to comment on it.

Mr. LAMBORN. Okay. Okay. Then let me ask my third question. Secretary Hagel, if we didn't have sequestration limiting the funds that the DOD has to operate with, would you prefer, would you require, would you order that we do have two carriers, two aircraft carriers present in the Arabian Gulf. As you know, we are down to one because of funding issues.

Secretary HAGEL. I would advise the President on that specific issue as I do on others, based on the advice I would get from the Chairman and the combatant commander in that area, the CENTCOM [Central Command] commander, as to what they think we need in order to fulfill the strategic interests and our capabilities of readiness to be prepared for all contingencies.

Mr. LAMBORN. Do you believe that having only one aircraft carrier instead of two is a limiting factor in our ability to project force and act as a deterrent in that part of the world?

Secretary HAGEL. No, I do not. I don't think it limits our ability to do that. And I base that on the conversations I have had with the Chairman and the Vice Chairman and others.

Mr. LAMBORN. Okay. Lastly, in the short time that I have, it has been told to me—admittedly by anonymous sources within parts of the DOD—that some of the civilian furloughs were not required in their initial plans for funding, but they were told to revise those plans and to come up with civilian furloughs. Is there any truth to that kind of statement?

Secretary HAGEL. Congressman, I don't know. I have not heard that, but let me ask the Comptroller. Thank you.

Secretary HALE. I am not aware of that specific direction. We have not made decisions on furloughs. We are trying to look at a policy that minimizes adverse effects on our mission. That is the key goal.

Within that and to the extent it doesn't violate it, we would like to see consistency and fairness. Because we are going to have to jump into this pool, we would like to jump together. But no final decisions have been made on furloughs.

The CHAIRMAN. The gentleman's time expired.

Ms. Duckworth.

Ms. DUCKWORTH. Thank you, Mr. Chairman.

Mr. Secretary, I am very pleased to hear of your commitment to maintaining the National Guard and Reserve forces as an operational force. As someone who spent the first half of my military career as a Strategic Reserve and then the second half as part of the operational force, I applaud your commitment to that.

My question actually has to do with the acquisition process that DOD undergoes. I also sit on the Oversight and Government Reform Committee, and over the last 3 months that I have been in Congress I have heard a lot of testimony about issues with DOD acquisition processes, with the F-35 process. The concurrent acquisition process has actually been called by a former Under Secretary of Defense for Acquisition, has been termed acquisition malpractice.

We are moving on towards sixth-generation aircraft someday. I see also that we are planning only to select one contractor for the engineering and manufacturing phase for the Ground Combat Vehicle program instead of two, and while that cuts costs initially, in the long run it places that entire project in the hands of a single contractor.

I also see in the budget that you have submitted that we are boosting the Littoral Combat Ship procurement to about \$3.2 billion, even though naval commanders have said that it is not a sufficiently—let me see here—does not have sufficient offensive capability.

Can you talk a little bit in the light of sequestration and the current budget constraints what you are going to be looking at in terms of the defense acquisition process to see if there are not some cost savings there?

Secretary HAGEL. Thank you, Congresswoman, I appreciate your comments. Yes, there are savings that need to be found and will be found. Stepping back just for a moment, then I will get to some of the specific projects, as you know, starting with the current Deputy Secretary of Defense Ash Carter when he was the Under Secretary for Acquisitions, he worked very hard to put in place a whole new accountable acquisition system. Imperfect. I mean, the dollars here are immense. The projects are immense. The lead times, you know all the complications. It is no excuse.

But many factors were starting to play out at the same time: auditable financial statements and holding contractors more accountable, taking a more realistic look at the kind of acquisitions that we started with, based on what. You mentioned the F-35 was a good example of that. We started with an interesting theory, but we weren't ready to start that program. And now, after many years of pain and billions and billions of dollars, we actually, I think, have it on track. I just met with the project director of the F-35 yesterday for an hour and a half to see where we are. Those costs are coming down per copy. There is some good news here.

The GAO [Government Accountability Office] report that just recently came out, which you have probably seen with your other committee assignment, was actually pretty complimentary to our acquisition systems. Imperfect. Need more to do. Will do more. But it is a big area. As I said in my opening statement, acquisitions, procurement, research, development, all that together is a third of our budget. It is a huge sum of money. The complications of lead time and what do we need and do we really need this and all those questions.

So let me stop there and see if our Comptroller has anything that he specifically, within the time we have got, wants to add to this. Thank you.

Secretary HALE. Well, just briefly, Congresswoman, on the F-35, we have rephased it significantly over the last several years to try to reduce some of the concurrency. I think we may have had this discussion before the HOCR [House Oversight and Government Reform Committee]. Some concurrency is right. It is a hard judgment as to how much, but we don't want to string them out over an inordinately long period.

Ground Combat Vehicle, tough call, but we believe that the savings that we achieved were worth it because they allowed us to re-invest substantial funds in existing Ground Combat Vehicles for the Army. We put much of that money back in and we felt that produced a quick payoff. But I understand the tradeoff that you are saying. And I think we are committed to the Littoral Combat Ship, believe it is an important part of the Navy and will be for many years.

Ms. DUCKWORTH. Are you going to continue the concurrent acquisition process for future weapon systems such as the sixth-generation fighter aircraft?

Secretary HALE. There will probably be some concurrency in almost any major project, but I think we have learned our lesson that we need to look at that very carefully and really minimize it, recognizing that if you don't do the testing first, you have to backfit the planes, and it is very expensive, or the weapons, very expensive.

Ms. DUCKWORTH. Thank you. I am out of time, Mr. Chairman. The CHAIRMAN. Thank you.

Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman.

Secretary Hagel, General Dempsey, Mr. Hale, thank you all so much for joining us today. Mr. Hale, it was great to be with you there for the commissioning of the *Arlington* just this past weekend.

Secretary Hagel, I want to begin with you and focus on your comments about BRAC. We know going back to the 2005 BRAC that we won't enjoy savings from that until 2018. It was \$35 billion to implement that. In your opening statement, you talked about \$2.8 billion in the cost of the proposed BRAC that is in the President's budget. I wanted to get your perspective on whether you believe that in this time of uncertainty, especially facing the sequester, facing our drawdown in end strength, determining where we need to be strategically as a nation, and then where we are from budget constraints, is this really the right time to do a BRAC? Especially

based on the recent history of the cost of BRAC and the time to accrue savings. In the face of budget constraints, is this the right time to pursue a BRAC?

Secretary HAGEL. Congressman, thank you. Well, it is the right question, and that question was not only asked but discussed for hours. I am going to give you the answer to it. I wasn't part of that decision, but I support it. I supported BRAC when I was in the Senate. But I will give you my overall take on it, then I am going to ask Mr. Hale to address specifically the savings issue, when do we start seeing savings and how much and is the squeeze worth the juice part of your question, I think.

First on the rationale of BRAC, and then, as you say, at this time. I think it is important that we look at everything. If in fact we are drawing down our force structure 100,000 and making all the other strategic decisions that have been made with the Congress' involvement on this, and I know there are disagreements on specifics, so on, but that is where we are going for obvious reasons, then it seems to me, just legitimately, logically, that we are going to have to look at overhead. Why do you need the bases? Can you consolidate some of those bases? What are the strategic priorities? How do you implement those priorities? I don't know how you can come at it any other way without some kind of review, kind of a top to bottom.

I understand the politics of this. I understand, as I said in my opening comments, it is very imperfect. You all sitting here know that, I know it. And still I think it is an important time to do it, I think it is worthwhile to do, and I think there are savings that you get out of it.

If no other reason, it is important to get some sense of our leaders. They have to have some sense of what that inventory is. Do we even need that inventory?

We, over the last 12 years, we have layered commands on commands on commands and weapon systems because we essentially have had, over a 10-year period, pretty much an uninterrupted flood of moneys going to DOD, for the reasons everybody understands and accepted and supported. This is a different time, so we are going to have to do some things differently and still protect the interest of our country.

So let me take the rest of the time, if it is okay, Congressman, ask Mr. Hale to respond to the specific numbers.

Secretary HALE. Let me try to answer your question on BRAC 2005. Yes, we spent \$35 billion, an enormous sum of money. We will save about \$4 billion a year when it is fully in place, and it is close to that point now. We won't break even because of that huge sum till about 2018.

We don't intend BRAC 2015 to repeat BRAC 2005. BRAC 2005 built a lot of new facilities. It was partially in response to 9/11. And we are just not going to do that again. This is going to be a more classic realignment and closure round. It usually takes 4 or 5 years to break even, maybe 6 at the most. We would expect \$1 billion to \$2 billion of savings when we get there.

If we don't start now and get going, some successor Secretary of Defense—I don't want to limit your tenure, Mr. Secretary—but some successor is going to need those moneys and they won't be

there. As you heard the Secretary say, we are saving \$12 billion a year from past BRAC grounds, and those will go on as long as we don't reopen those bases.

So I think we have to do it, even though times are tough. And we have figured in the money, we have added the upfront costs to this Future Years Defense Plan. We believe we need to move forward with BRAC 2015.

Mr. WITTMAN. Very good.

Mr. Secretary, I wanted to finish with this. In your effort to initiate the Strategic Choices and Management Review in order to avoid, as you say, unacceptable risk that have been caused by the sequester cuts and are you willing to accept a fundamental change in our military. I understand the concept of that, but after three rounds of budget cuts, in my mind you can only avoid unacceptable risk by two ways, either restoring resources or reducing missions, and otherwise, the radical reform is likely going to result in more risk.

So help this committee understand this. What kind of fundamental change do you have in mind and can you name one reform that has been tried or previously proven to be unwise?

Secretary HAGEL. Well, the quick answer is—

The CHAIRMAN. Gentleman's time has expired. If you could please take that one for the record, Mr. Secretary.

Secretary HAGEL. I will. Thank you.

[The information referred to can be found in the Appendix on page 107.]

The CHAIRMAN. We are running up hard against the votes here now.

Mr. Enyart.

Mr. ENYART. Thank you, Mr. Chairman.

Mr. Secretary, as a former enlisted guy, I would like to congratulate you on your selection as Secretary of Defense. I think bringing an enlisted man to rise to the ranks of Secretary of Defense brings a great perspective that is probably needed in that position.

General Dempsey, I believe I heard you say that post-2014 in Afghanistan we are looking at a force of 8,000 to 12,000 folks. What percentage of those approximately will be U.S. forces?

General DEMPSEY. Yeah, Congressman, I did say that NATO's declaration was that range of 8,000 to 12,000. And historically it has been two-thirds, one-third. I say historically because we haven't had that negotiation with NATO.

Mr. ENYART. And now also I believe you answered the question about why the cost for OCO is not going down when the size of the force is coming down substantially, and you indicated that that cost, that it was due to the cost of repatriating the forces and particularly repatriating equipment.

Now, it is my understanding the cost to buy new Humvees, give or take \$120,000. The cost to rebuild one is give or take \$130,000. What considerations have been given to not repatriating that equipment but rather either transition it to the Afghans or destroying it in place? And what is your analysis of the cost factors there?

General DEMPSEY. Yeah. Just to clear up on why isn't OCO coming down. In some cases the cost is up, you know, fuel costs, wherever it happens to be, reset and reconstitution.

But to your point, there is a very deliberate process for taking a look at all kinds of equipment and materiel in Afghanistan and making a determination on whether to transition it, sell it to regional partners, bring it back, or destroy it, and that project is generally overseen by the Deputy Secretary of Defense.

Mr. ENYART. Mr. Secretary, from what I have heard today, this morning, in testimony, we talked about the ends of your Department, the ends being the protection of this Nation. We have the ways and the means. Is there a serious mismatch between our ends and our ways and our means? Are we seeing that? And if there is, what is your analysis of what we need to do to align those ends, ways, and means?

Secretary HAGEL. Well, Congressman, thank you, and thank you for your earlier comments about the enlisted.

I think you really, in that question, defined the purpose of the review, because it really does come down to your question, is there a mismatch, is there a disconnect? The expectations of what are our ends, is that somehow distorted right from the beginning, the way we are going to provide resources and the means and so on? And that is very much the intent, aside from the budget issues and be prepared and prioritize resources, whether it is a \$50 billion hit each year or it is going to be \$8 billion or \$10 billion, but it really gets to ways, ends, and means.

And that would be the answer I would give the Congressman here before you on what do I expect to come out of this review. I don't know what we are going to see coming out of this review. I didn't ask for the review because I had the answers. I asked for the review because I didn't have the answers. I don't know what the answers are going to be here.

But I do know enough about this business or any business that you can't continue what we are doing with less resources in an uncertain world and less flexibility and less time. There is no equation that you can show me how that is going to work. So that is why I say I think your question is really the centerpiece of the whole point. We will be having further discussions, obviously, with this committee on what that review shows and what decisions we'll make, what policy, strategic decisions we need to bring to the President.

The CHAIRMAN. Thank you. Gentleman's time has expired.

The vote has started. It looks we are not going to finish everyone, so what I will do is call next is Mr. Coffman and then Mr. Gallego, and I am going to have to ask the rest of you, if you will please submit your questions for the record.

And Mr. Secretary, General, if you could please respond accordingly, I would appreciate it.

Mr. Coffman.

Mr. COFFMAN. Thank you, Mr. Chairman.

Mr. Secretary, General Dempsey, Mr. Hale, thank you all so much for being here today, and thanks so much for your service to our country.

I support your call for a BRAC or Base Realignment and Closure Commission if in fact we have restructured our forces and we can exact some efficiencies, some cost efficiencies from closing bases we no longer need. However, what I would like is a commitment to

look at overseas bases, which are not a part of the Base Realignment and Closure Commission process where we only look at bases within the United States, out of fairness.

I think we can accomplish a lot of our goals, whether it is our 28,000 troops in South Korea or 79,000 troops still in Europe, through joint military exercises, through rotational forces, as opposed to overseas permanent military bases. And so, Mr. Secretary, I wonder if you might be able to address that.

Secretary HAGEL. Well, thank you, and I agree with you. We are currently undertaking a review and have been on that very issue, our bases overseas. Overhead, do we need them, can we consolidate them, everything you said, we are doing, and that is exactly right.

To your point about allies and how we bring value to those relationships so we don't have to carry that kind of overhead, you are exactly right and that is what we are doing. I mentioned some of this in my speech at NDU. I mentioned a couple of these things in my opening statement this morning. But long before I got there, Gates was talking about, Panetta was talking about, General Dempsey has been talking about agility, flexibility, capability, and it must factor in our relationships with our allies. That is why I responded the way I did to the NATO question this morning, and what we are doing with the French in Mali, what we are doing with our other allies around the globe, trying to build—help them build capacity for themselves so that we have some partners with some capability.

Mr. COFFMAN. Thank you. I know you talked about compensation for our personnel, and what I would like is a consideration with a greater emphasis, having had a military career where I deployed five times overseas, four times with a ground combat unit—ground combat units and then one time as a civil affairs officer, that it seems that—I don't think there is enough emphasis in terms of compensation for our deployed forces versus our forces who are in CONUS [continental United States]. Certainly doing a great job, but I think in terms of things like hazardous duty pay and things like that, maybe we ought to look at increasing those as opposed to simply the across-the-board type of increases that we do.

General Dempsey, I wonder if you might be able to address that.

General DEMPSEY. Yeah, if I could, Congressman, I'd also like to comment, since I have the mike open, on the issue of forward presence rotational deployments and what we call surge capability back in the homeland. We need to balance that out. I mean, I don't think you would ever suggest we shouldn't have some forces forward present, because they have an incredibly stabilizing effect. And so we don't want to become sanctuary America. We have to be out and about. The question is how much forward present, how much rotational.

To your point about compensation, we are looking at every possible aspect of compensation. You are talking about special pays for those in this case. Could be special pays for doctors or aviators. We are looking at the entire spectrum of compensation issues.

Mr. COFFMAN. Certainly for those that are forward deployed, particularly in Afghanistan today.

Let me just mention one last point, and that is that, again, along the cost side in terms of maybe taking a look at slowing down the

promotion system. We have this up and out process today, but with tension as high as it is, I am concerned that we are forcing out people that are good performers and have a lot of experience. And I think we ought to take a look at slowing down that promotion system and allowing people to have more time in their particular respective grades as opposed to the system that we have now that I think is fairly rapid in its advancement. If either one of you could answer that.

General DEMPSEY. Yeah, if I could, because I spent some time as the Chief of Staff of the Army, as you know.

We allowed promotion rates to be artificially accelerated because we were trying to grow the Army so fast. We grew it by 60,000 over about a 3- or 4-year period. Promotion rates for lieutenant colonel and major, 95 and 90 percent, much higher than you would want them to be as a profession. And so we are ratcheting those back as well as changing retention and control points, but what you just suggested is competing with the reality that we have got to reduce the size of the force by 100,000. So I will take your points to heart as I always do, but there are some competing narratives that we have got to reconcile.

Mr. COFFMAN. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Mr. Gallego.

Mr. GALLEGO. Thank you, Mr. Chairman.

Secretary Hagel, General Dempsey, thank you so much for your service, both past and present. For my purposes here today, I would like to discuss not only the budget, but, to be blunt, whether as a country we can continue to meet our global objectives in this fairly challenging fiscal environment.

And to the credit of the senior military and civilian leaders of the Department of Defense, there has been a lot of efforts, fairly meaningful efforts to reduce unnecessary overhead and administrative costs and those kinds of things over the last few years, including the end effects of sequestration, which I view as kind of a mindless policy. I am very happy to say that I wasn't here when that was enacted. I don't believe anybody can be supportive of allowing the sequester to continue and at the same time be pro-national defense. I mean, they are not congruent in my mind.

I am honored to work on behalf of the military installations like Laughlin Air Force Base in Del Rio or Lackland and Joint Base San Antonio, Fort Bliss. Laughlin is one of our Nation's premier pilot training programs, and Fort Bliss certainly plays a key role in readiness, and Lackland as well.

I want, however, at this point, to talk to you, some of the questions have been tinged with partisanship, which in national defense to me is always a little disheartening, but I want to talk, Secretary Hagel, you have seen more than probably anybody on this dais in the course of your life, and what I want to talk about is finding a better way to ensure that we take care of America's core national security interests, because you understand more than most, I think, that these are our kids, these are our sons and daughters and our brothers and our sisters.

And so we have lost a few folks over the course of the last few years doing things that some of us would question. I mean, trying to essentially not necessarily ingratiate, that is perhaps not the

right word to use, but to convince people about our sincerity or our efforts, and many times that hasn't worked so well. And how do you balance that? Because for me, I want to make sure that we have a clearly defined mission objective so that we understand at the end of the day that our first and foremost—you know, I mean, I wouldn't sleep. My little boy is 8, and I wouldn't sleep. So how do we make sure that our parents and brothers and sisters are getting as much sleep as possible?

Secretary HAGEL. Congressman, thank you. I wish I was wise enough to give you a really good answer. I am not. But I would respond this way. Every generation is faced with a set of challenges and threats. No generation has escaped that. It is always how you respond to those threats.

Each of us who has the great privilege of serving in some capacity, as you do, as everyone on this committee, as the three of us do at this table, have an immense responsibility not to fail your 8-year-old. And I think you start there. We will make mistakes in policy. It will be raggedy, imperfect. But I have always believed that as you look at all of this, and much of the discussion this morning is about my testimony, the Chairman's testimony, it was about our people. You take care of your people. That always has to come first.

As I noted in my last sentence of my statement this morning, every policy must be worthy of the service and sacrifices of our men and women and their families that we ask to make these great sacrifices. For me, that is the starting point. And I am not the only one. Certainly General Dempsey has put a lifetime into this. I doubt if he ever sent a young person anywhere without asking that fundamental question to himself.

So that is where you start, then you work outward on what is relevant, what is real, what is doable. And sometimes we don't prioritize and discipline ourselves as much as we should or ask the tough questions. And I think, you know, history is going to replay the last 12 years, and I am not going to get into that. I will let history deal with that. But not just mistakes, because everybody makes mistakes, but how carefully did we think through all those things?

The consequences we are living with today, what General Shinseki is dealing with at the VA and our country and they are going to continue, are the consequences of decisions that were made 10 years ago and 8 years ago. So there are consequences to actions and consequences to non-actions.

So, you know all these things, and I just say that because it is I think sometimes lost in the overall rush to find a quick answer and decision and we live in an immediate world where everything is a situation room, everything is just an emergency, give me an answer, give me an answer. And I realize the world that we live in is different today, too, than 50 years ago. General Eisenhower had some luxury of having a little time. And that takes nothing away from General Eisenhower who I thought was one of the greatest leaders in the history of our country.

It is not a good answer, but that is the only answer I can give you.

Mr. GALLEGO. Thank you.

Secretary HAGEL. Thank you.

The CHAIRMAN. Thank you very much. Gentleman's time has expired.

Mr. Secretary Hagel, General Dempsey, Secretary Hale, thank you very much for your patience and for your willingness to share of your time here with us today. I think it has been very, very productive. This committee stands adjourned.

[Whereupon, at 1:40 p.m., the committee was adjourned.]



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**A P P E N D I X**

APRIL 11, 2013

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

APRIL 11, 2013

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**Opening Statement of Hon. Howard P. "Buck" McKeon, a Representative  
from California, Chairman, Committee on Armed Services**

**Hearing on  
Fiscal Year 2014 National Defense Authorization Budget Request from  
the Department of Defense**

**April 11, 2013**

The House Armed Services Committee meets today to receive testimony on the fiscal year 2014 budget request for the Department of Defense. I want to welcome Secretary Hagel to his first appearance with us. We are happy to have you here, Mr. Secretary. General Dempsey, thank you for being here, and Secretary Hale. We appreciate all of you and the great work that you do for our Nation.

Our job on this committee is to weigh inputs from senior military leaders so that we may fulfill our constitutional obligation to provide for the common defense. Two months ago, General Dempsey told this committee that the military could not absorb any further cuts without jeopardizing the missions that we ask of them. Today I hope to hear how the President's budget, which asks for another \$120 billion out of Defense, will impact our military posture and readiness.

Specifically, I would like to hear which missions we must now abandon, reduce, or cancel outright to comply with the President's budget, because I don't see the world getting safer, in fact, as recent events in North Korea, Iran, Syria, Africa attest. In fact, even as our forces draw down in Afghanistan, we are negotiating an agreement to maintain an enduring presence in that nation, which I strongly support.

I am also curious why, after three rounds of cuts to our Armed Forces in as many years, our troops are again being asked to pay the bill for out-of-control spending in Washington.

Carl Vinson, for whom this room is named, said a country does not need a navy of one strength when she is prosperous and a navy of another size when there

is an economic depression. I believe that sentiment applies to all of our Armed Forces. It was true when Vinson said it during the Great Depression, and it is true today during the great recession.

With that in mind, the budget we received asks us to take another \$120 billion from the military and offers no solutions to repair the damage being done by sequestration this year. This is not simply a 2017 problem. I hope to hear how we can resolve the stark differences between the President's budget request and the President's national security strategy.

Margaret Thatcher, who we lost this week, said during her time as prime minister the defense budget is one of the very few elements of public expenditure that can truly be described as essential. Our charge is to provide that essential security to the American people and by doing so assure our allies. I look forward to our witnesses' insights as we move forward through this hearing.

**Statement of Hon. Adam Smith, a Representative from Washington, Ranking  
Member, Committee on Armed Services**

**Hearing on  
Fiscal Year 2014 National Defense Authorization Budget Request from  
the Department of Defense**

**April 11, 2013**

Thank you, Mr. Chairman, and thank you for this hearing. And also thank you for your great leadership on the question of our budget and national security. It has been a very challenging time, and I think you have done an excellent job of bringing attention to those challenges and to what it is doing to our defense budget and to our ability to provide national security. I appreciate the hearings and your leadership, and I certainly thank our witnesses today.

Secretary Hagel, welcome to your first House committee hearing. We appreciate you taking the job. Not an easy time to do it. General Dempsey, you have been here many times before, I appreciate your leadership. Undersecretary Hale is the guy who has to try to figure out the money. You have had a fascinating job the last couple of years.

Because as is obvious, we have many national security challenges. Certainly we have been out of Iraq for a couple of years now, we are drawing down in Afghanistan, but Afghanistan remains, the challenges of the Afghanistan Pakistan region remain. We have all heard what North Korea is up to, what Iran is up to. Al Qaeda is still out there in many places, in Yemen, in Somalia, growing in Mali. It is not like we have reached the point where you can think about anything approaching a peace dividend, where our national security challenges have somehow lessened in the last couple of years. They have changed in some ways, but they are still great and still require a very thoughtful and comprehensive response to protect the national security interests of this country.

At the same time, our budget is a mess. You have to meet all of what I just described without even knowing within tens of billions, if not hundreds of billions of dollars how much money you are going to have from year to year.

Now I will disagree slightly with the chairman on the fact that somehow the President's budget is what is reflective of that challenge. It is really all of us, it is Congress. Congress passed sequestration, allowed it to happen. The President, yes, signed it. All three, House, Senate, President, have got to come together to address our long term budget challenges so that at a minimum we can give not just the Department of Defense, but our entire government some stability so they have some idea from month to month how much money they are going to have. Your ability to plan is just destroyed when in January we say, well, we are delaying sequestration for 2 months, we hope we will fix it, in March it hits, and now we sit here in April trying to absorb it and wondering if it is going to continue into 2014.

So let me just close by saying, I don't think it is any one party's fault, President, House, Senate, but all three pieces of the puzzle have got to come together and recognize that absent a clear, long term decision we are having a devastating impact on many aspects of the government, but certainly on our national security, which is supposed to be paramount. We cannot plan any strategy when we do not know how much money we are going to have from month to month.

So, again, I applaud the chairman for urging that same reconciliation to come together, and I look forward to working with him to find a solution to that. And today I look forward to hearing from our witnesses about how they are going to deal with those challenges. Because make no mistake about it, as challenging as that all is, we will deal with it. We will make the decisions, we will protect this country. We have certainly faced tougher times in the past and came through it. It is a challenge, but we will meet it, and I look forward to hearing from our witnesses today about their plans to do just that.

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**SECRETARY OF DEFENSE CHUCK HAGEL  
SUBMITTED STATEMENT TO THE HOUSE ARMED SERVICES  
COMMITTEE ON THE FY 2014 BUDGET REQUEST FOR THE  
DEPARTMENT OF DEFENSE  
THURSDAY, APRIL 11, 2013**

Chairman McKeon, Ranking Member Smith, members of the committee, thank you for this opportunity to discuss the President's Fiscal Year 2014 budget request for the Department of Defense.

Allow me to express my appreciation to this committee for its continued support of our men and women in uniform and our civilian workforce. They are doing tremendous work and making great sacrifices, along with their families, as they have for the more than 11 years our nation has been at war. Whether fighting in Afghanistan, patrolling the world's sea lanes, standing vigilant on the Korean peninsula, supplying our troops around the world, or supporting civil authorities when natural disasters strike, they are advancing America's interests at home and abroad. Their dedication and professionalism are the foundation of our military strength.

As we discuss numbers, budgets, and strategic priorities, we will not lose sight of these men and women serving across the globe. As you all know, their well-being depends on the decisions we make here in Washington.

**Fiscal and Strategic Context**

Today, the Department of Defense faces the significant challenge of conducting long-term planning and budgeting at a time of considerable uncertainty – both in terms of the security challenges we face around the world and the levels of defense spending we can expect here at home.

Even as the military emerges – and recovers – from more than a decade of sustained conflict in Iraq and Afghanistan, it confronts an array of complex threats of varying vintage and degrees of risk to the United States, to include:

- the persistence of violent extremism throughout weak states and ungoverned spaces in the Middle East and North Africa;
- the proliferation of dangerous weapons and materials;
- the rise of new powers competing for influence;
- the risk of regional conflicts which could draw in the United States;
- faceless, nameless, silent and destructive cyberattacks;
- the debilitating and dangerous curse of human despair and poverty, as well as the uncertain implications of environmental degradation.

Meanwhile, the frenetic pace of technological change and the spread of advanced military technology to state and non-state actors pose an increasing challenge to America's military.

This is the strategic environment facing the Department of Defense as it enters a third year of flat or declining budgets. The onset of these resource constraints has already led to significant and ongoing belt-tightening in military modernization, force structure, personnel costs, and overhead expenditures. It has also given us an opportunity to reshape the military and reform defense institutions to better reflect 21<sup>st</sup> century realities, as I outlined in a speech last week at the National Defense University.

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The process began under the leadership of Secretary Gates, who canceled or curtailed more than 30 modernization programs and trimmed overhead costs within the military services and across the defense enterprise. These efforts reduced the Department's topline by \$78 billion over a five year period, as detailed in the Department's FY 2012 budget plan.

The realignment continued under Secretary Panetta, who worked closely with the President and the Joint Chiefs of Staff to craft new defense strategic guidance and a FY 2013 defense budget plan which reduced the Department's topline by \$487 billion over the course of a decade. Even while restructuring the force to become smaller and leaner and once again targeting overhead savings, this budget made important investments in the new strategy – including rebalancing to Asia and increasing funding for critical capabilities such as cyber, special operations, global mobility, and unmanned systems.

The President's request of \$526.6 billion for the Department of Defense's base budget for FY 2014 continues to implement the President's defense strategic guidance and enhances the Department's efforts at institutional reform. Most critically, it sustains the quality of the all-volunteer force and the care we provide our service members and their families, which underpins everything we do as an organization.

**Challenges in FY2013**

Before discussing the particulars of this budget request, however, allow me to address the profound budget problems facing the Department in FY 2013 and beyond as a result of sequester – because they have significantly disrupted operations for the current fiscal year and greatly complicated efforts to plan for the future. The Congress and the Department of Defense have a responsibility to find answers to these problems together – because we have a shared responsibility to protect our national security. DoD is going to need the help of Congress to manage through this uncertainty.

The FY 2013 DoD Appropriations bill enacted by the Congress last month addressed many urgent problems by allocating DoD funding more closely in line with the President's budget request than a continuing resolution would have, giving the Department authorities to start new programs, and allowing us to proceed with important military construction projects. Nonetheless, the bill still left in place the deep and abrupt cuts associated with sequester – as much as \$41 billion in spending reductions over the next six months. With military pay and benefits exempt from the sequester, and our internal decision to shift the impact of sequestration away from those serving in harm's way and spread them to the rest of the force where possible, the cuts fall heavily on DoD's operations, maintenance and modernization accounts that we use to train and equip those who will deploy in the future.

Furthermore, the military is experiencing higher operating tempos, and higher transportation costs than expected when the budget request was formulated more than a year ago. As a result of all these factors, the Department is now facing a shortfall in our operation and maintenance accounts for FY 2013 of at least \$22 billion in our base budget for active forces.

In response, the Department has reduced official travel, cut back sharply on facilities maintenance, imposed hiring freezes, and halted many other important but lower-priority activities. However, we will have to do more. Large, abrupt, and steep across-the-board reductions of this size will require that we continue to consider furloughing civilian personnel in the months ahead. The cuts will fall heavily on maintenance and training, which further erodes the readiness of the force and will be costly to regain in the future. As the Service Chiefs have said, we are consuming our readiness. Meanwhile, our investment accounts and the defense

## AS PREPARED – EMBARGOED UNTIL DELIVERY

industrial base are not spared damage as we also take indiscriminate cuts across these areas of the budget. We will continue to need the strong partnership of this committee to help us address these shortfalls.

If the sequester-related provisions of the Budget Control Act of 2011 are not changed, FY 2014 funding for national defense programs will be subject to a steeply reduced cap, which would cut DoD funding by roughly \$52 billion further. And, if there is no action by the Congress, roughly \$500 billion in reductions to defense spending would be required over the next nine years.

As an alternative, the President's budget proposes some \$150 billion in additional defense savings (measured in terms of budget authority) over the next decade when compared with the budget plan submitted last year. These cuts are part of a balanced package of deficit reduction. Unlike sequester, these cuts are largely back-loaded – occurring mainly in the years beyond FY 2018 – which gives the Department time to plan and implement the reductions wisely, and responsibly, anchored by the President's defense strategic guidance.

#### **FY2014 Budget Request**

The President's FY 2014 request continues to balance the compelling demands of supporting troops still very much at war in Afghanistan, protecting readiness, modernizing the military's aging weapons inventory in keeping with the president's strategic guidance, and sustaining the quality of the all-volunteer force.

The top-line budget request of \$526.6 billion for FY 2014 is essentially flat compared to the President's request for FY 2013, and roughly in line with what both the House and Senate have passed in their FY 2014 budget resolutions.

Today's budget request also contains a placeholder request for overseas contingency operations (OCO) at the FY 2013 level (\$88.5 billion). The submission does not include a formal OCO request because Afghanistan force level and deployment decisions for this year were delayed in order to provide commanders enough time to fully assess requirements. We will soon be submitting an OCO budget amendment with a revised level and account-level detail.

The following are the major components of the \$526.6 billion FY 2014 base budget request:

- Military pay and benefits (including Tricare and retirement costs) – \$170.2 billion (32% of the total base budget);
- Operating costs (including \$77.3 billion for civilian pay) – \$180.1 billion (34%);
- Acquisitions and other investments (Procurement, research, development, test and evaluation, and new facilities construction) – \$176.3 billion (33%)

The budget presented today, at its most basic level, consists of a series of choices that reinforce each of the following complementary goals:

- making more disciplined use of defense resources;
- implementing the President's defense strategic guidance;
- seeking to sustain the readiness and quality of the all-volunteer force;
- supporting troops deployed and fighting in Afghanistan.

## AS PREPARED – EMBARGOED UNTIL DELIVERY

Many of the reductions we are being forced to make in FY 2013 as a result of sequester run counter to these goals.

**1. Making more disciplined use of defense resources**

In developing the FY2014 budget, the Department identified about \$34 billion in savings over the current Future Years Defense Program (FYDP), which covers FY 2014 to FY 2018. These savings were used to help pay the costs of implementing the new defense strategy and to accommodate budget reductions.

These efforts continue the Department's approach of the last several years to first target growing costs in areas of support, acquisition, and pay and benefits, before cutting military capabilities and force structure.

*Reducing Support Costs*

In order to maintain balance and readiness, the Department of Defense must be able to eliminate excess infrastructure as it reduces force structure. DoD has been shedding infrastructure in Europe for several years and we are undertaking a review of our European footprint this year, but we also need to look at our domestic footprint. Therefore, the President's FY 2014 budget requests authorization for one round of Base Realignment and Closure (BRAC) in 2015. While the commission would meet in 2015, the actual closing of any bases would involve a multiyear process that would not begin until 2016.

BRAC is a comprehensive and fair tool that allows communities a role in re-use decisions for the property and provides redevelopment assistance. There are up-front costs for BRAC, and this FYDP adds \$2.4 billion to pay them, but in the long-term there are significant savings. The previous five rounds of BRAC are now saving a total of \$12 billion annually.

We are also taking other important steps to cut back on support costs. We will institute a study of our Military Treatment Facilities, including many hospitals and clinics that are currently underutilized. By the end of this year we will have a plan in place that suggests how to reduce that underutilization while still providing high-quality medical care. This restructuring, coupled with a BRAC round and other changes, would permit us to plan on a cut in our civilian workforce that will comply with Congressional direction.

We are also continuing our successful efforts to hold down military health system costs. With the Department's proposed TRICARE benefit changes, our projected costs for FY 2014 are about four percent lower than those costs in FY 2012, a significant turnaround compared to health care trends over the past decade. We continue efforts to slow the growth of medical care costs through actions such as re-phasing military construction, making full use of past changes in provider costs, and taking advantage of the slowing of growth in medical costs in the private sector.

Another important initiative is our effort to improve the Department's financial management and achieve auditable financial statements. We need auditable statements, both to improve the quality of our financial information and to reassure the public, and the Congress, that we are good stewards of public funds. We have a focused plan and are making progress. Our next goal is audit-ready budget statements by the end of 2014. We are working hard to achieve this goal, though the current budget turmoil is hampering our efforts. I strongly support this initiative and will do everything I can to fulfill this commitment.

## AS PREPARED – EMBARGOED UNTIL DELIVERY

These and many other changes led to total savings of about \$34 billion in FY 2014-2018, including \$5.5 billion in FY 2014. However, we are concerned that these savings from more disciplined use of resources could be eroded by sequester, as we are forced to make inefficient choices that drive up costs. Today, for example, we are being forced to engage in shorter and less efficient contracts and sharp cuts in unit buy sizes that will increase the unit costs of weapons.

*Restructuring and Terminations of Weapons Programs*

In this budget, the Department has shifted priorities within its modernization portfolios and achieved \$8.2 billion in savings from weapons program terminations and restructuring.

For example, by revising the acquisition strategy for the Army's Ground Combat Vehicle (GCV) program, the Department will save over \$2 billion in development costs.

In other cases the Department used evolutionary approaches to develop new capabilities instead of relying on leap-ahead gains in technology.

For example, the Department:

- Realigned investment funding and restructured the SM-3 IIB interceptor – a high-risk, high-cost system – to improve the capabilities of existing missile defense systems, resulting in savings of about \$2.1 billion during the Future Year Defense Program (FYDP);
- Cancelled the Precision Tracking Space Satellite system – another high-risk project – saving \$1.9 billion during the FYDP; the Department invested a portion of these savings in technology upgrades to existing ground-based radars and sensors.

To lessen the potential impact on local communities from the reductions in defense procurement, the Department is requesting an additional \$36 million in support of the Defense Industry Adjustment program.

The Department is continuing to take steps to tighten the contract terms and reduce risk in our largest acquisition program, the F-35 Joint Strike Fighter. The FY 2014 budget request includes \$8.4 billion for the Joint Strike Fighter.

*Military Pay and Benefits*

The costs of military pay and benefits are another significant driver of spending growth that must be addressed in the current fiscal environment. In this budget, the Department is submitting a new package of military compensation proposals that take into consideration Congressional concerns associated with those from FY 2013. These changes save about \$1.4 billion in FY 2014 and a total of \$12.8 billion in FY 2014-2018

This package includes a modest slowing of the growth of military pay by implementing a one percent pay raise for service members in 2014. The Department is also seeking additional changes to the TRICARE program in the FY 2014 budget to bring the beneficiary's cost share closer to the levels envisioned when the program was implemented – particularly for working age retirees. Today military retirees contribute less than 11 percent of their total health care costs, compared to an average of 27 percent when TRICARE was first fully implemented in 1996.

The proposed TRICARE changes include:

## AS PREPARED – EMBARGOED UNTIL DELIVERY

- For retirees, modest increases in TRICARE Prime enrollment fees, instituting an enrollment fee for TRICARE Standard/Extra, and increasing Standard/Extra deductibles.
- Implementation of an enrollment fee for new TRICARE-for-Life beneficiaries, while grandfathering in those already Medicare-eligible at enactment.
- Increases in pharmacy co-pays and, where appropriate, mandatory use of mail order delivery of pharmaceuticals.
- Indexing of fees, deductibles, co-pays and the catastrophic cap to the growth in annual retiree cost-of-living adjustment.

Survivors of military members who died on active duty or medically retired members would be excluded from all TRICARE increases. Even after the proposed changes in fees, TRICARE will remain a substantial benefit.

These adjustments to pay and benefits were among the most carefully considered and difficult choices in the budget. They were made with the strong support of the Joint Chiefs of Staff and Senior Enlisted Leadership, in recognition that in order to sustain these benefits over the long term without dramatically reducing the size or readiness of the force, these rising costs need to be brought under control.

## **2. Implementing and deepening our commitment to the President's defense strategic guidance**

Spending reductions on the scale of the current drawdown cannot be implemented through improving efficiency and reducing overhead alone. Cuts and changes to capabilities – force structure and modernization programs – will also be required. The strategic guidance issued in January 2012 set the priorities and parameters that informed those choices, and the FY 2014 budget submission further implements and deepens program alignment to this strategic guidance.

The new strategy calls for a smaller and leaner force. Last year we proposed reductions of about 100,000 in military end strength between FY 2012 and FY 2017. Most of those reductions occur in the ground forces and are consistent with a decision not to size U.S. ground forces to accomplish prolonged stability operations, while maintaining adequate capability should such activities again be required. By the end of FY 2014 we will have completed almost two thirds of the drawdown of our ground forces, and the drawdown should be fully complete by FY 2017.

Last year DoD submitted proposals for changes in Air Force and Navy force structure; some were rejected by Congress. We continue to believe, however, that these reductions are consistent with our defense strategy and the need to hold down costs. Therefore, DoD is resubmitting several proposals from its FY 2013 budget submission that were not supported by Congress, including the retirement of seven Aegis cruisers and two amphibious ships at the end of FY 2014 when funds appropriated for their operation run out. Despite the growing importance of the Asia-Pacific – a mostly maritime theater – the high costs of maintaining these older ships relative to their capabilities argues strongly for their retirement.

The FY 2014 budget continues implementation of the Air Force total force proposal included in the FY 2013 National Defense Authorization Act. In response to state and congressional concerns about proposed reductions to the Air National Guard that DoD made in

## AS PREPARED – EMBARGOED UNTIL DELIVERY

the original FY 2013 budget, the Department added back 44 aircraft to the Guard, 30 aircraft to the Air Force Reserve, and is taking away 31 aircraft from the active Air Force.

These shifts were forced primarily by political realities, not strategy or analysis. While this active-reserve compromise allows the Air Force to move forward with prior year retirements and transfers, and approved mission changes for many reserve units, it does require the Department to retain excess aircraft capacity. The Department's position continues to be that retaining excess air capacity in the reserve component is an unnecessary expenditure of government funds that detracts from more pressing military priorities outlined in the defense strategic guidance.

Increased emphasis on the Asia-Pacific and Middle East represents another key tenet of the new defense strategic guidance. This budget continues to put a premium on rapidly deployable, self-sustaining forces – such as submarines, long-range bombers, and carrier strike groups – that can project power over great distance and carry out a variety of missions.

As part of the rebalance to the Asia-Pacific, the Department is expanding the Marine Corps presence in the region, including rotational deployments of Marine units to Australia. We continue to develop Guam as a strategic hub where we maintain a rotational bomber presence among other capabilities. The Department will stage its most capable forces in the region, including an F-22 squadron at Kadena Air Force Base in Japan. The Navy has deployed a Littoral Combat Ship to Singapore and is increasing and more widely distributing port visits in the Western Pacific.

Additional enhancements and key capabilities supporting the Asia-Pacific rebalance in the FY 2014 budget include:

- Protecting investments for new ship construction, enabling the Navy to procure eight new ships in FY 2014 – including two Virginia class submarines (\$10.9 billion);
- Continuing investments to develop a new penetrating bomber (\$379 million);
- Investing in new maritime patrol aircraft (\$3.8 billion);
- Continuing investments to maintain and expand undersea dominance, including increasing the cruise missile capacity of the future Virginia class subs and developing new unmanned undersea vehicles (\$223.9 million);
- Continuing to fund development of an unmanned carrier launched UAV (\$427 million);
- Adding electronic attack EA-18Gs to offset the loss of retired Marine Corps EA-6B (Prowler) squadrons (\$2.0 billion);
- Investing in a new suite of anti-surface warfare weapons (\$160 million);
- Increasing the number of attack submarines forward deployed to Guam to four (\$78 million);
- Funding airfield resiliency measures such as dispersal, rapid runway repair, and hardening in the Western Pacific (\$440 million);
- The Army is investing in upgraded missile defense capabilities in the region (\$40 million);
- Increasing funding for joint exercises in the PACOM region (\$14 million).

Another tenet of the strategy is to support efforts to build partner capacity through innovative mechanisms based on lessons learned over the past decade of war. To that end, the FY 2014 request builds on our Section 1206 program by including \$75 million in dedicated

## AS PREPARED – EMBARGOED UNTIL DELIVERY

funding for the new Global Security Contingency Fund, a pooled resource between the Department of Defense and Department of State that supports common efforts to boost the security capacity of partners in regions like Africa. This represents the first time dedicated funds have been requested for this new authority.

This new strategy not only recognizes the changing character of the conflicts in which the U.S. must prevail, but also leverages new concepts of operation enabled by advances in space, cyberspace, special operations, global mobility, precision-strike, missile defense, and other capabilities. By making difficult trade-offs in lower priority areas, the FY 2014 budget protects or increases key investments in these critical capabilities, including:

- Cyberspace operations, including the recruitment and retention of world-class cyber personnel (\$4.7 billion for FY2014, an increase of \$800 million over FY2013 enacted levels).
- Space operations – to maintain our superiority in space, the Air Force continues to modernize the GPS program and is investing in improved space surveillance capabilities and a new generation of communications satellites (\$10.1 billion).
- Airborne intelligence, surveillance, and reconnaissance (ISR) – the Department is investing in both sea-based and extended range, land-based ISR platforms (\$2.5 billion).
- Rapid Global Mobility – to maintain our ability to rapidly deliver and sustain our forces around the globe, the Air Force is upgrading its C-5, C-17, and C-130 transport aircraft – replacing the oldest aircraft and modernizing the fleet – and building the new KC-46 aerial refueling tanker (\$5.0 billion);
- Missile Defense – to protect against ballistic missile threats from Asia-Pacific and the Middle East, the Department is increasing its fleet of Ground Based Interceptors (GBI), continuing the conversion of Aegis ships to provide ballistic missile defense capability, and procuring additional Terminal High Altitude Area Defense (THAAD) interceptors and Patriot PAC-3 missiles (\$9.2 billion);
- Special Operations/counterterrorism – to ensure our special operations forces maintain the highest levels of readiness and to expand the global special operations force network (\$7.7 billion).

### **3. Seeking to sustain the readiness and quality of the all-volunteer force**

The high-quality of our all-volunteer force continues to be the foundation of our military strength. This budget seeks to ensure that our troops receive the training and equipment they need for military readiness, and the world-class support programs they and their families have earned. However, as in other areas of the budget, the steep and abrupt cuts of sequester would harm these programs. The remainder of this discussion outlines the goals of the FY 2014 budget, but they would be significantly impacted by the persistence of sequester-level cuts.

#### *Readiness Investments*

Even with flat and declining defense budgets, this budget seeks to press ahead with the transition from a counterinsurgency-focused force to a force ready and capable of operating across a full range of operations across the globe. The service budgets all fund initiatives that

## AS PREPARED – EMBARGOED UNTIL DELIVERY

seek to return to full-spectrum training and preparation for missions beyond current operations in Afghanistan:

- The Army would prepare for a rotational presence in multiple regions and has begun training in “decisive action” scenarios and is transitioning to training in combined arms conventional warfare;
- The Marine Corps would return to a sea-going posture, its traditional role in between major conflicts;
- The Navy would invest in ship maintenance and measures to alleviate the stress on personnel from prolonged and extended deployments required by current operations;
- The Air Force would re-focus on high-end capabilities required to confront the advanced air forces and air defense systems of other nations.

The Department continues its work to understand and quantify readiness activities as we seek to maximize our preparedness for real-world missions. We do not yet know the costs of fixing the readiness of the force following the six months of sequester cuts to training in this fiscal year. Therefore these costs are not included in the FY 2014 budget. However, the President’s Budget includes balanced deficit reduction proposals that are more than sufficient to allow Congress to replace and repeal the sequester-related reductions required by the Budget Control Act.

#### *Family Support Programs*

The Department’s budget submission makes clear that people are central to everything we do. While sequester cuts would unfortunately counter many of these initiatives, especially for our civilian workforce, the initiatives remain important statements of the intent in this budget.

The Department continues to support key programs in FY 2014 that support service members and their families, spending \$8.5 billion on initiatives that include:

- Transition Assistance and Veteran’s Employment Assurance – the Department continues to support the Transition Assistance Program (TAP) to ensure every service member receives training, education, and credentials needed to successfully transition to the civilian workforce.
- Family Readiness – the Department continues to ensure that family support is a high priority by redesigning and boosting family support in a number of ways.

The Department is also providing support to our people with a number of other important initiatives, including:

- Behavioral Health – the Department maintains funding for psychological health programs and expands those programs that are most effective, such as Embedded Behavioral Health, to provide improved access to care, improved continuity of care, and enhanced behavioral health provider communication.
- Suicide Prevention – the Department continues to implement recommendations from the Suicide Prevention Task Force and act on other findings from think tanks, the National Action Alliance’s National Suicide Prevention Strategy, and DoD and Department of Veteran’s Affairs (VA) Integrated Mental Health Strategy (IMHS).

## AS PREPARED – EMBARGOED UNTIL DELIVERY

Another area of focus has been Sexual Assault Prevention and Response. The Department has implemented a number of initiatives to change the way it prevents and responds to the crime of sexual assault, along five lines of effort:

- Prevention – the military services have launched a wide range of enhanced training programs, which are now being taught in multiple professional military education and training courses, to include DoD-wide pre-command and senior NCO training courses.
- Investigation – Consistent with the FY 2012 and FY 2013 National Defense Authorization Acts, DoD has established new policies to retain investigative documentation for 50 years for unrestricted reports, and is developing policy for Special Victim Capability.
- Advocacy – DoD has implemented a Safe helpline to give victims 24/7 global access to crisis support staff, implemented an expedited transfer policy for victims requesting transfer to a new unit, and expanded emergency care and services to DoD civilians stationed abroad.
- Assessment – DoD has added sexual assault questions to DoD Command Climate Surveys and implemented policy to conduct assessments within 120 days for new commanders and annually thereafter, consistent with the FY 13 NDAA.
- Accountability – on April 8, I directed DoD's Acting General Counsel to propose to the Congress changes to Article 60 of the Uniform Code of Military Justice (UCMJ) that would eliminate the ability of a convening authority to change findings in courts-martial, except for certain minor offenses. These changes would also require the convening authority to explain in writing any changes made to court-martial sentences, as well as any changes to findings involving minor offenses. These changes, if enacted, would help ensure that our military justice system works fairly, ensures due process, and is accountable.

I am currently reviewing other options and actions to strengthen the Department's prevention and response efforts, and will announce those decisions and actions soon. Consistent with the 2013 National Defense Authorization Act, I will soon be naming individuals to sit on independent panels to review and assess the systems used to investigate, prosecute, and adjudicate crimes involving sexual assault, and judicial proceedings of sexual assault cases. I will closely review their recommendations when complete.

#### **4. Supporting troops deployed and fighting overseas**

As I said earlier, this budget request includes a placeholder request for OCO funding at the FY 2013 level (\$88.5 billion) – we expect to submit an OCO budget amendment with a revised level and account-level detail later this Spring. I would note that OCO funding is essential in FY 2014 to support troops deployed and fighting in, and coming home from, Afghanistan, and the cost of transporting and resetting equipment returning from theater. OCO costs should decrease as our military presence in Afghanistan decreases, but even after the conclusion of combat operations we will face war-related costs that must be addressed.

AS PREPARED – EMBARGOED UNTIL DELIVERY

**The Way Ahead: Strategic Choices and Management Review**

The FY2014 budget is a reflection of DoD's best efforts to match ends, ways, and means during a period of intense fiscal uncertainty. It is a balanced plan that would address some of the Department's structural costs and internal budget imbalances while implementing the President's defense strategic guidance and keeping faith with our men and women in uniform and their families.

It is obvious that significant changes to the Department's top-line spending would require changes to this budget plan. The Department must plan for any additional reductions to the defense budget that might result from Congress and the Administration agreeing on a deficit reduction plan, and it must be prepared in the event that sequester-level cuts persist for another year or over the long-term.

Consequently, I directed a Strategic Choices and Management Review in order to assess the potential impact of further reductions up to the level of full sequester. The purpose of this Strategic Choices and Management Review is to re-assess the basic assumptions that drive the Department's investment and force structure decisions.

The review will identify the strategic choices and further institutional reforms that may be required – including those reforms which should be pursued regardless of fiscal pressures. It is designed to help understand the challenges, articulate the risks, and look for opportunities for reform and efficiencies presented by resource constraints. Everything will be on the table during this review – roles and missions, planning, business practices, force structure, personnel and compensation, acquisition and modernization investments, how we operate, and how we measure and maintain readiness.

This review is being conducted by Deputy Secretary Carter working with General Dempsey. The Service Secretaries and Service Chiefs, Office of the Secretary of Defense Principals, and Combatant Commanders will serve as essential participants. Our aim is to conclude this review by May 31, 2013. The results will inform our FY 2015 budget request and will be the foundation for the Quadrennial Defense Review due to Congress in February 2014.

It is already clear to me that achieving significant additional budget savings without unacceptable risk to national security will require not just tweaking or chipping away at existing structures and practices but, if necessary, fashioning entirely new ones that better reflect 21<sup>st</sup> century realities. And that will require the partnership of Congress.

The FY2014 budget and the ones before it have made hard choices. In many cases, modest reforms to personnel and benefits, along with efforts to reduce infrastructure and restructure acquisition programs, met fierce political resistance and were not implemented.

We are now in a different fiscal environment dealing with new realities that will force us to more fully confront these tough and painful choices, and to make the reforms we need to put this Department on a path to sustain our military strength for the 21<sup>st</sup> century. But in order to do that we will need flexibility, time, and some budget certainty.

We will also need to fund the military capabilities that are necessary for the complex security threats of the 21<sup>st</sup> century. I believe the President's budget does that. With the partnership of Congress, the Defense Department can continue to find new ways to operate more affordably, efficiently, and effectively. However, multiple reviews and analyses show that additional major cuts – especially those on the scale and timeline of sequestration – would require dramatic reductions in core military capabilities or the scope of our activities around the world.

AS PREPARED – EMBARGOED UNTIL DELIVERY

As the executive and legislative branches of government, we have a shared responsibility to ensure that we protect national security and America's strategic interests. Doing so requires that we make every decision on the basis of enduring national interests and make sure every policy is worthy of the service and sacrifice of our service members and their families.

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**Chuck Hagel**  
**Secretary of Defense**



Chuck Hagel was sworn in as the 24<sup>th</sup> Secretary of Defense on February 27, 2013 becoming the first enlisted combat veteran to lead the Department of Defense.

Secretary Hagel was born on October 4, 1946 in North Platte, Nebraska, the eldest of four brothers. He joined the United States Army and volunteered to go to Vietnam, rising to the rank of Sergeant and serving as an infantry squad leader alongside his brother, Tom, with the Army's 9<sup>th</sup> Infantry Division in 1968. He earned numerous military decorations and honors, including two Purple Hearts.

Following his tour in Vietnam, Secretary Hagel graduated from the University of Nebraska at Omaha using the G.I. Bill. Continuing his commitment to public service, Secretary Hagel became Chief of Staff to Nebraska Congressman John Y. McCollister.



In 1981, Secretary Hagel was nominated by President Ronald Reagan to serve as Deputy Administrator of the Veterans Administration. In that post he helped pioneer early electronic health record keeping and pushed for increased benefits for Vietnam veterans suffering from Agent Orange. This fight became one of the causes of his life, later helping federal courts distribute hundreds of millions of dollars for Agent Orange victims through the Court settlement that set up the Agent Orange Payment Program which he chaired.

In the mid-1980's, Secretary Hagel co-founded Vanguard Cellular Systems, Inc., which became one of the largest independent cellular networks in the country. Secretary Hagel also served as President and CEO of the USO; the Chief Operating Officer of the 1990 Economic Summit of Industrialized Nations (G-7 Summit) in Houston, Texas; Deputy Commissioner General of the United States for the 1982 World's Fair, President of the Private Sector Council and President of McCarthy & Company, an Omaha based investment bank.

In 1996, Secretary Hagel was elected to the United States Senate and represented Nebraska until 2009. While in the Senate, he was a senior member of the Foreign Relations; Banking, Housing and Urban Affairs; and Intelligence Committees. He chaired the Foreign Relations International Economic Policy, Export and Trade Promotion Subcommittee; and the Banking Committee's International Trade and Finance, and Securities Subcommittees. Secretary Hagel also served as the Chairman of the Congressional-Executive Commission on China and the Senate Climate Change Observer Group.

Following his Senate career, Secretary Hagel served as Co-Chairman of President Obama's Intelligence Advisory Board and a member of the Secretary of Defense Policy Board. He was a Distinguished Professor in the Practice of National Governance at the Georgetown University School of Foreign Service and Chairman of the Atlantic Council, a non-partisan institution devoted to promoting transatlantic cooperation and international security. He also served on the board of PBS and a number of corporations and financial institutions.

Secretary Hagel is author of the 2008 book *America: Our Next Chapter*. He and his wife Lilibet have a daughter, Allyn, and a son, Ziller.

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HOUSE ARMED SERVICES COMMITTEE

WRITTEN POSTURE STATEMENT

STATEMENT OF  
GENERAL MARTIN E. DEMPSEY, USA  
CHAIRMAN  
JOINT CHIEFS OF STAFF  
BEFORE THE HOUSE ARMED SERVICES COMMITTEE  
FY14 DEPARTMENT OF DEFENSE BUDGET  
APRIL 11, 2013

HOUSE ARMED SERVICES COMMITTEE

**I. Introduction**

Chairman, Ranking Member, and distinguished Committee Members, it is my privilege to update you on the state of the US Armed Forces and to comment on the President's budget proposal for fiscal year (FY) 2014.

This year's posture testimony comes in the context of extraordinary uncertainty. Our Nation is going through an historic fiscal correction to restore the economic foundation of our power. As resources decline, risks to our national security interests rise. A more competitive security environment compounds these risks, increasing the probability and consequences of aggression.

This context calls out for our leadership. We can and must find it within ourselves to stay strong as a global leader and reliable partner. We must restore lost readiness and continue to make responsible investments in our Nation's defense.

**II. Strategic Direction to the Joint Force**

A year ago, I established four priorities to help guide our Joint Force through this period of uncertainty. Our way forward must be rooted in a *renewed commitment to the Profession of Arms*. This means preserving an uncommon profession that is without equal in both its competence and its character. Along the way, we must *keep faith with our Military Family*. This means honoring the commitments we have made to our service members and their families. They deserve the future they sacrificed so much to secure.

These two priorities serve as a source of strength for the Joint Force as it *achieves our national objectives in current conflicts*. This means achieving our campaign objectives in Afghanistan while confronting aggression toward America and its allies in all its forms wherever and whenever it arises. It also means helping to secure the flow of commerce in the global commons, building the capacity of our partners, providing humanitarian assistance, and maintaining a credible nuclear deterrent.

These three priorities enable us to understand and *develop the Joint Force of 2020*. Our ability to build the force we will need tomorrow depends on the decisions we make today. This is a defining moment in a defining year. Ensuring our future military is unrivaled and sustainable requires the right mix between current capacity and new capabilities. We must recapitalize current equipment where possible and modernize capabilities that preserve our decisive advantages.

### **III. Joint Force Operations**

One thing has been certain over the last year – the Joint Force stood strong and responded to the Nation’s call. After more than a decade of continual deployments and tough fighting, I remain humbled by the resilience and determination of our warriors.

In the past year, our service men and women have simultaneously fought, transitioned, and redeployed from Afghanistan. Never before have we retrograded so much combat power and equipment while continuing combat operations. Our forces performed superbly, transitioning to Afghan security lead in areas comprising over 85% of the population. In the process, we redeployed over 30,000 US troops, closed over 600 bases, and preserved Coalition cohesion. We were challenged by “insider attacks,” but responded the way professional militaries do. We assessed and adapted. We reaffirmed our partnerships and moved forward jointly with more stringent force protection and vetting procedures.

Transition continues. In the weeks ahead, the Afghanistan National Security Forces will assume operational lead across all of Afghanistan. This milestone represents an important achievement on the Lisbon roadmap, reaffirmed at the Chicago Summit in 2012. At the same time, the International Security Assistance Force will transition primarily to training and advising. We are also working with NATO and the Afghan government on options for an enduring presence beyond 2014 to reinforce Afghan security and maintain pressure on transnational terrorists.

When I testified last year, the effects of the November 2011 border incident with Pakistan were still fresh, and tensions were as high as any time since the Osama bin Laden raid. Measured, but steady civilian-military engagement with Pakistani leadership led to the reopening of the Ground Lines of Communication in July 2012. We are gradually rebuilding our relationship with Pakistan as reflected in the recent signing of a tripartite border document to standardize complementary cross-border operations.

The Joint Force has been vigilant well beyond South Asia and around the world. We continue to help deter aggression and counter the increasingly bold provocations from North Korea and Iran. We are supporting Syria's neighbors in their efforts to contain spillover violence while providing assistance to help with refugees. We are postured to support additional options for dealing with any threats to our national interests that may emerge from the Syrian conflict.

Along with our interagency partners, we are also postured to detect, deter, and defeat cyber-attacks against government and critical infrastructure targets. We are part of interagency and multinational efforts to counter transnational crime. And, we remain relentless in our pursuit of al-Qa'ida and other violent extremist organizations, directly and through our partners. This includes al-Qa'ida-Arabian Peninsula (AQAP) in Yemen and, working with French and African partners, al-Qa'ida in the Islamic Magreb (AQIM).

Finally, in the context of a "new normal" – where the diffusion of power fuels insecurity and unrest – we continue to support reform across the Middle East and North Africa through military-to-military exercises, exchanges, and security assistance. We are also adjusting global force posture to reflect these risks in the context of our rebalance to the Asia-Pacific region.

#### **IV. Our Joint Force Today**

We have an experienced, combat-tested force. Never has our nation sustained such a lengthy period of war solely through the service of an All-Volunteer military. Our warriors' will to win is undaunted, but the means to prepare to win are becoming uncertain. Military readiness is at risk due to the

convergence of several budget factors. These same factors compound risk to the wellness of the Joint Force and our Military Family. We need the help of our elected leaders to gain budget certainty, time, and flexibility.

Few have borne more of war's burden than our Military Family. For twelve relentless years, our service men and women have answered our Nation's call with unsurpassed courage and skill. Many have fallen or been grievously wounded in the service of our Country. We honor them most by caring for their families and for those who have come home with wounds seen and unseen.

We are unfailing in our praise for the sacrifices of our warriors in battle. But for so many of our veterans, returning home is a new type of frontline in their struggle. We cannot cut corners on their healthcare. We must continue to invest in world-class treatments for mental health issues, traumatic brain injury, and combat stress. Stigma and barriers to seeking mental health services must be reduced.

Suicide is a tragic consequence for far too many. As a Nation, we have a shared responsibility to address this urgent issue with the same devotion we have shown to protecting the lives of our forces while in combat. The Department is working closely with our interagency partners and the White House to increase our understanding of the factors leading to suicide and how to best leverage care networks to keep our Veterans alive.

The risks inherent to military service must not include the risk of sexual assault. We cannot shrink from our obligations to treat each other with dignity. We cannot allow sexual assault to undermine the cohesion, discipline, and respect that gives us strength. Therefore, we are examining the best ways to leverage additional education, training, and the Uniform Code of Military Justice. We are exploring every option, and we are open to every idea, that could help eliminate this crime from our ranks.

Future success relies on opening our ranks to all of America's talent. Accordingly, the Joint Chiefs and I have supported the expansion of service opportunities for women. This decision better aligns our policies with our

experience in war, and it serves to strengthen the Joint Force. Consistent with the law, we also extended some benefits to the same-sex domestic partners of service members. We are implementing both initiatives deliberately across all Services to ensure we uphold essential standards and avoid creating new inequities for other members of the Joint Force.

Keeping faith with our Military Family will take a mutual commitment from fellow veterans and a grateful Nation. The next few years will define how we, as a Nation, view the 9/11 generation of veterans. America's future All-Volunteer force is watching.

They are also watching as we inflict risk on ourselves. With \$487 billion in planned reductions already reflected in the Department's FY 2013 budget, sequestration's additional cuts jeopardize readiness not only this year, but also for many years to come. We cannot fail to resource the war we are still fighting. At the same time, we cannot compromise on readiness in the face of an uncertain and dangerous future. Our Joint Force must begin to reconnect with family while resetting and refitting war-torn equipment. It must retrain on the full-spectrum skills that have atrophied while developing new skills required for emerging threats. There are no shortcuts to a strong national defense.

When budget uncertainty is combined with the mechanism and magnitude of sequestration, the consequences could lead to a security gap – vulnerability against future threats to our national security interests. Our military power could become less credible because it is less sustainable. And, we could break commitments to our partners and allies, our defense industrial base, and our men and women in uniform and their families.

This outcome is not inevitable. We can maintain the readiness and health of the force at an affordable cost. But, we need help from our elected leaders to keep the force in balance and avert the strategic errors of past drawdowns. To this end, the Joint Chiefs and I have requested your support for certainty, time, and flexibility.

Most importantly, we need long-term budget certainty – a steady, predictable funding stream. While the passage of the FY 2013 Appropriations Act provided relief from the Continuing Resolution, uncertainty over the FY 2014 topline budget and the full effects of FY 2013 sequestration remains.

Second, we need the time to deliberately evaluate trade-offs in force structure, modernization, compensation, and readiness. Finally, we need the full flexibility to keep the force in balance. Budget reductions of this magnitude require more than just transfer authority and follow-on reprogramming authority. Everything must be on the table – military and civilian force reductions; basing and facilities; pay and compensation; and the mix among active, Reserve, and National Guard units.

The FY 2014 budget proposal helps us rebalance and strengthen readiness through hard choices. It enables us to lower manpower costs, reduce unneeded infrastructure, and shed ineffective acquisition programs while maintaining support for the responsible drawdown of our military presence in Afghanistan. It provides a 2014 military pay raise of one-percent while protecting important education, counseling, and wounded warrior programs. Proposed infrastructure reductions include a request for BRAC authorization in FY 2015, although any closures would take multiple years and not begin until 2016. We simply cannot afford to keep infrastructure and weapons we do not need without getting the reforms we do need.

#### **V. A Joint Force for 2020**

The budget decisions we are making now will indicate whether we view our future Joint Force as an investment or an expense.

America is unmatched in its ability to employ power in defense of national interests, but we have little margin for error. We are able to deter threats, assure partners, and defeat adversaries because we act from a position of strength.

We are strong – and our Nation is secure – because we treat being the best led, trained, and equipped force as a non-negotiable imperative. The

secret to sustaining our strength with this or any future budget is simple – preserve investment in readiness, prioritize investment in people, and protect investment in decisive capabilities.

It is our people that make us the most capable military in the world. They are our best hedge against threats to our homeland and interests abroad. By 2020, we will require even greater technical talent in our ranks. But, developing technological skill must occur in concert with leader and character development. We must resist the temptation to scale back on education, including languages and cultural knowledge. Military service must continue to be our Nation's preeminent leadership experience. It is more important than ever to get the most from the potential and performance of every service member.

Investing in people is not just about their development and readiness. It is also about the commitment we make to their families. Unsustainable costs and smaller budgets mean we must examine every warrior and family support program to make sure we are getting the best return on our investment.

We need to reform pay and compensation to reduce costs while making sure we recruit and retain the best America has to offer. We must also balance our commitment to provide quality, accessible health care with better management and essential reform to get escalating costs under control. The FY 2014 budget would help control rising health care costs by initiating a restructuring of medical facilities to make them more efficient, without sacrificing quality or continuity of care, and by proposing fee adjustments that exempt disabled retirees, survivors of service members who died on active duty, and their family members. The Department of Defense is also working with Veterans Affairs to find efficiencies across health care systems.

As we work to get the people right, we must also sustain our investment in decisive capabilities. The FY 2014 budget continues to fund long-term capabilities that sustain our edge against resourceful and innovative enemies, while maintaining critical investments in science and technology, and research and development programs.

Emerging capabilities, once on the margins, must move to the forefront and be fully integrated with our general purpose forces. Special Operations Forces, for example, have played an increasingly consequential role over the past ten years. We have expanded their ranks considerably during this timeframe, and now we must continue to improve the quality of their personnel and capabilities.

Closely linked are our intelligence, surveillance, and reconnaissance capabilities – from sensors to analysts. We will continue to rely on proven systems designed for the low threat environments of Iraq and Afghanistan. At the same time, we must also develop and field sensors designed to penetrate and survive in high-threat areas. They will expand our ability to access and assess hard-to-reach targets.

This budget also sustains our investment in cyber, in part by expanding the cyber forces led by the U.S. Cyber Command. Despite significant investment and progress in the past year, the threat continues to outpace us, placing the Nation at risk. The FY 2014 budget increases funding for cyber security information sharing, but we need legislation to allow the private sector and U.S. interagency to share real-time cyber threat information – within a framework of privacy and civil liberty safeguards. In parallel, we must establish and adopt standards for protecting critical infrastructure.

The development and integration of these emerging capabilities will by no means amount to all that is new in Joint Force 2020. They must be integrated with our foundational and impressive conventional force capabilities. The FY 2014 budget protects several areas where reinvestment in existing systems – such as the C-130, F-16, and the Army's Stryker combat vehicle – sustains our competitive advantage. All are backed by our asymmetric advantages in long-range strike, global mobility, logistics, space, and undersea warfare. And, they must be connected with a secure, mobile, and collaborative command and control network.

This combination of increasingly powerful network capabilities and agile units at the tactical edge is a powerful complement to leadership at every

echelon. It provides the basis to project both discrete and overwhelming power across multiple domains. It gives policymakers and commanders alike a greater degree of flexibility in how they pursue objectives.

As we set priorities and implement reductions, we need to pay attention to the important relationship among defense, development, and diplomacy. Fewer defense dollars means we must rely more on – and invest more in – our other instruments of power to help underwrite global security. And our international partners will have to work with us on accepting a greater share of the risk. Some are more ready and willing to do that than others.

## **VI. Conclusion**

Although I am confident the Joint Force today can marshal resources for any specific contingency, our goal is to be able to offer military options that put US national security on a sustainable path to 2020 and beyond. To do this, we must recruit and retain the most talented people. We must invest in their competence and character so they can leverage emerging and existing capabilities in our defense. It is an investment our predecessors made in decades past. We must do the same.

Our consistent first line of defense has been and always will be our people. They are our greatest strength. We will rely on our war-tested leaders to think and innovate as we navigate the challenges and opportunities that lie ahead. We need to seize the moment to think differently and to be different. But, we cannot do it alone. We need the help of our elected officials to give us the certainty, time, and flexibility to make change.

We can and must stay strong in the face of declining budgets and rising risk. We must have the courage to make the difficult choices about our investments, about our people, and about our way of war. The Secretary's Strategic Choices and Management Review (SCMR) will help us identify options and opportunities.

We have been down this road before. We can lead through this uncertainty and manage the transition to a more secure and prosperous

future. I know your Nation's military leaders are ready – as is every single Soldier, Sailor, Airman, Marine, and Coastguardsman – to give their last breath to defend America and her allies.

Please accept my thanks to this Committee and Congress for all you have done to support our men and women in uniform. Together, we serve our Nation.



**General Martin E. Dempsey**  
**Chairman, Joint Chiefs of Staff**



General Martin E. Dempsey becomes the Chairman of the Joint Chiefs of Staff after serving most recently as the Army's 37th Chief of Staff from 11 April 2011 through 7 September 2011.

Past assignments have taken him and his family across the globe during both peace and war from Platoon Leader to Combatant Commander. He is a 1974 graduate of the United States Military Academy and a career armor officer.

As a company grade officer, he served with the 2nd Cavalry in United States Army Europe and with the 10th Cavalry at Fort Carson. Following troop command he earned his Masters of Arts in English from Duke University and was assigned to the English Department at West Point. In 1991, GEN Dempsey deployed with the Third Armored Division in support of OPERATION DESERT STORM. Following DESERT STORM, he commanded 4th Battalion 67th Armor (Bandits) in Germany for two years and then departed to become Armor Branch Chief in US Army Personnel Command. From 1996-1998 he served as the 67th Colonel of the Third Armored Cavalry Regiment. Following this assignment as the Army's "senior scout" he served on the Joint Staff as an Assistant Deputy Director in J-5 and as Special Assistant to the Chairman of the Joint Chiefs of Staff. From September 2001 to June 2003, General Dempsey served in the Kingdom of Saudi Arabia training and advising the Saudi Arabian National Guard. In June of 2003, General Dempsey took command of the 1st Armored Division in Baghdad, Iraq. After 14 months in Iraq, General Dempsey redeployed the division to Germany and completed his command tour in July of 2005. He then returned to Iraq for two years in August of 2005 to train and equip the Iraqi Security Forces as Commanding General of MNSTC-I. From August 2007 through October 2008, GEN Dempsey served as the Deputy Commander and then Acting Commander of U.S. Central Command. Before becoming Chief of Staff of the Army, he commanded US Army Training and Doctrine Command from December 2008-March 2011.



General Dempsey's awards and decorations include the Defense Distinguished Service Medal with Oak Leaf Cluster, the Distinguished Service Medal with three Oak Leaf Clusters, the Defense Superior Service Medal, the Legion of Merit with two Oak Leaf Clusters, the Bronze Star with "V" Device and Oak Leaf Cluster, the Combat Action Badge, and the Parachutist Badge. In addition to his Masters' Degree in English, he holds Masters' Degrees in Military Art and in National Security Studies.

General Dempsey and his high school sweetheart Deanie have three children: Chris, Megan, and Caitlin. Each has served in the United States Army. Chris remains on active duty. They have five wonderful grandchildren: Kayla and Mackenna by Chris and daughter-in-law Julie, Luke by Caitlin and son-in-law Shane, and Alexander and Hunter by Megan and son-in-law Kory. Chris and Julie are expecting their third child this fall.

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**DOCUMENTS SUBMITTED FOR THE RECORD**

APRIL 11, 2013

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SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

APR 29 2013

The Honorable Rob Bishop  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Bishop:

I appreciated the opportunity to testify before the House Armed Services Committee on the President's Fiscal Year 2014 budget request for the Department of Defense. The Department faces many national security challenges around the world and must address those challenges at a time of profound budget uncertainty. As I stated at the hearing, Congress and the Department of Defense must work together to find solutions to these problems, and I look forward to working with the Committee to that end.

During the hearing and in a subsequent letter on April 11, 2013, you asked about the Department's involvement with the Federal Aviation Administration's (FAA) decision to close some contractor-staffed air traffic control towers. You also asked me about the funding and purpose of the Environmental Impact Study (EIS) associated with the Inter-Continental Ballistic Missile (ICBM) wings.

Regarding the air traffic control towers, the FAA requested on February 26, 2013, that each Military Service determine the mission impacts of potential contractor-staffed tower closures. In response, each Service assessed towers within its purview. On March 19, 2013, the Deputy Secretary of Transportation contacted the Department and requested that we consolidate and validate each of the Services' lists and return a departmental list to the Department of Transportation (DOT) by March 21, 2013. The Acting Deputy Under Secretary of Defense for Installations and Environment – working with the Deputy Assistant Secretary of Defense for Readiness and the Deputy Assistant Secretary of Defense for Strategic and Tactical Systems – combined departmental inputs into a list with tiered categories (based on DOT's standard approach) for approval by the Under Secretary of Defense for Acquisition, Technology, and Logistics. The approved list was transmitted to DOT on March 21, 2013. Our response identified 38 towers, including the Ogden-Hinckley tower, the closure of which would result in a severe impact to operations. The DOT removed from its closure list our top ten priority locations and an additional seven towers where we identified closure as presenting a severe impact to operations.

You specifically requested information on the consultations pertaining to the Ogden-Hinckley location and impacts on Hill Air Force Base, UT. Headquarters Air Force coordinated with its major commands to identify those proposed tower closures that would negatively affect Air Force testing, training, and operations. Air Force Materiel Command has authority for Hill Air Force Base, UT and provided its input to the analysis.

Regarding the EIS for the ICBM wings, the Office of the Secretary of Defense did direct the addition of \$1.5 million to assess the appropriate force structure under the New Strategic Arms Reduction Treaty (New START). As Under Secretary Hale stated during the hearing, the study will support fully informed decisions, specifically on reductions in U.S. forces, to meet Treaty limits. In order to complete reductions to meet the Treaty deadline of February 2018, we must include funding in the FY 2015 budget to begin implementation. The President's 2014 budget request accounts for the current force of 450 ICBMs. The Air Force has been asked to conduct the EIS as part of an ongoing effort to facilitate a balanced decision making process, and will collect information concerning all nine ICBM squadrons.

Again, I look forward to working closely with you as the Armed Services Committee considers the FY14 National Defense Authorization bill. Thank you for your continued support of our men and women in uniform and our entire civilian workforce.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig J. Thomas". The signature is written in a cursive, somewhat stylized font. Below the main signature, there is a short horizontal line.



SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

APR 29 2013

The Honorable Mike Turner  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Turner:

I appreciated the opportunity to testify before the House Armed Services Committee on the President's Fiscal Year 2014 budget request for the Department of Defense. The Department faces many national security challenges around the world and must address those challenges at a time of profound budget uncertainty. As I stated at the hearing, Congress and the Department of Defense must work together to find solutions to these problems, and I look forward to working with the Committee to that end.

During the hearing, you asked me about our ability to respond to two conflicts as we face sequestration and defense cuts. The ability of our armed forces to deter and defeat aggression by an opportunistic adversary in one region even while our forces are committed to a large-scale combat operation elsewhere has been a touchstone of our defense strategy for decades, including the President's 2012 Defense Strategic Guidance. Even if the Department experiences further budget cuts, it will be important to strive to maintain this "two-war" standard as an essential bulwark against disruptive global actors seeking to exploit any sign of vulnerability or weakness on our part. Just as important, this standard is critical to reassuring our allies and friends that we have the capability to fulfill our security commitments to them.

As I review the Department's defense strategy and the resources available to it, I will be mindful of the importance of sustaining the forces necessary to fight and win simultaneous combat operations.

Again, I look forward to working closely with you as the Armed Services Committee considers the National Defense Authorization Act for Fiscal Year 2014. Thank you for your continued support of our men and women in uniform and our entire civilian workforce.

Sincerely,

A handwritten signature in black ink that reads "Donk Hager". The signature is written in a cursive, somewhat stylized font.

Summary on TMA Demonstration Program Implementation since January 2013

The purpose of the Philippine Demonstration is to test an alternative method for the delivery of health care in the Philippines to continue to control costs, reduce aberrant billing activity, and eliminate balance-billing issues while providing quality health care to TRICARE Standard beneficiaries residing in the Philippines and receiving care in designated demonstration area(s). This will be accomplished by using approved demonstration providers who have agreed to accept TRICARE reimbursement as payment in full, file the claim on behalf of the beneficiary, collect only the applicable cost-share and deductible, and agree to on-site verification and provider certification. Beneficiaries are no longer required to pay the full amount up front and wait for reimbursement of only the TRICARE allowed amount. Under the demonstration, Standard beneficiaries may have overall lower costs because approved demonstration providers no longer require payments at the time of service nor will they subject beneficiaries to balanced billing of charges.

TMA implemented the Philippine Demonstration Project on March 28, 2012 using a phased approach to deliver health care in multiple locations. Health care delivery under Phase 1 began on January 1, 2013 in Metro Manila, Angeles City, Pampanga, and Olongapo City, Zambales; Phase 2 will begin on December 1, 2013 in General Trias, Cavite, Naic, Cavite, Bacoor, Cavite, Imus, Cavite, and Cavite City, Cavite; and health care delivery under Phase 3 will begin on July 1, 2014 in Iloilo City, Iloilo.

Since health care delivery began on January 1, 2013, the TRICARE Overseas Program (TOP) contractor has continued to target and recruit professional providers and inpatient facilities to participate as approved demonstration providers in the Phase I designated demonstration areas to ensure beneficiaries have access to primary and specialty care. Additionally, because provider participation in the Demonstration is voluntary, there may be situations in which the TOP contractor is unable to recruit a sufficient number and mix of approved providers in all specialties in designated demonstration areas. In these situations, the TOP contractor may request a specialty waiver from TRICARE Management Activity (TMA) so that beneficiaries can receive care from non-approved (certified) providers. Currently, there are 52 specialty waivers in place to ensure beneficiaries have access to all specialty care under the TRICARE program.

The TOP contractor has a dedicated team in place to handle issues and concerns for approved demonstration providers and beneficiaries 24/7. Because some beneficiaries rely on the Retired Activity Offices and Veterans of Foreign Wars in the Philippines as well as the Fleet Reserve Association in the United States for TRICARE information, the TOP contractor has hosted monthly teleconferences with these organizations to provide guidance on how to access care under the Demonstration Project. Beneficiary educational messages are posted on the TOP contractor's Website and e-mailed to beneficiaries who signed up for e-mail updates for the Demonstration Project on .GovDelivery.

Selection of approved demonstration providers was based on a thorough review of claims history over the past two years with the objective to recruit and retain a sufficient number and mix of providers in designated demonstration areas. Criteria for the selection of approved

providers consisted of (1) the number of claims submitted by the providers/facilities and (2) whether or not the providers/facilities were under any type of pre- payment review. As of May 2013, there are 7 institutional facilities and 122 individual providers participating in the demonstration.

TRICARE Standard beneficiaries who reside in the Philippines may request a waiver of the requirement to use an approved provider if they elect to receive care from non-approved providers or facilities in designated demonstration areas. For example, beneficiaries engaged in an ongoing episode of care with a non-approved provider when the demonstration began, and who wish to continue care with their established provider for that episode of care can request a waiver. Examples of an episode of care are pregnancy, broken limb, or dialysis. A beneficiary should submit a waiver request to the TOP contractor to continue with the ongoing episode of care.

TMA has an obligation to ensure TRICARE beneficiaries receive high quality care while maintaining health care costs. Aberrant billing practices by providers impede access to high quality care and increase health care costs, which can cause harm to beneficiaries. Implementation of the Demonstration initiative coupled with the previous initiatives is imperative to our ongoing efforts to control fraud, provide access to high quality care and contain costs. We believe we have a sufficient number of approved providers in place, coupled with processes to grant waivers for providers, in the areas where the demonstration is now effective. We understand there will be some places where beneficiaries may not be able to use the provider of their choice because their provider elected not to participate in the demonstration. In those situations, we do have policies in place to assist these beneficiaries in finding an approved provider or seeking a waiver. We hope that over time, as the demonstration gains momentum and our overseas Standard beneficiaries choose to access providers from the approved list, more providers will elect to participate by agreeing to use our payment procedures and the costs for both the beneficiaries and the government will be lowered.



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**WITNESS RESPONSES TO QUESTIONS ASKED DURING  
THE HEARING**

APRIL 11, 2013

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**RESPONSES TO QUESTIONS SUBMITTED BY MR. BISHOP**

Secretary HAGEL. Please refer to my attached written response, dated April 29, 2013. [See page 29.]

[The written response can be found in the Appendix on page 99.]

Secretary HAGEL. Please refer to my attached written response, dated April 29, 2013. [See page 30.]

[The written response can be found in the Appendix on page 99.]

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**RESPONSES TO QUESTIONS SUBMITTED BY MR. LARSEN**

Secretary HAGEL. Yes, I believe I have the authority to transfer detainees to locations outside the United States.

However, my authorities with respect to Guantanamo detainees preclude transfers to the United States. And, in the absence of a court order, I am required by the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2013 to make certain certifications before a detainee may be transferred out of our detention facilities at Guantanamo Bay, Cuba, to foreign countries or other foreign entities.

Moreover, with respect to transfers of detainees from the Detention Facility at Parwan, Afghanistan, I am required by the NDAA for FY 2013 to submit to the appropriate congressional committees notice in writing of the proposed transfer of any individual detained pursuant to the Authorization for Use of Military Force (Public Law 107-40; 50 U.S.C. 1541 note) who is a national of a country other than the United States or Afghanistan from detention at the Detention Facility at Parwan, Afghanistan, to the custody of the Government of Afghanistan or of any other country. [See page 36.]

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**RESPONSES TO QUESTIONS SUBMITTED BY MR. TURNER**

Secretary HAGEL. Please refer to my attached written response, dated April 28, 2013. [See page 34.]

[The written response can be found in the Appendix on page 101.]

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**RESPONSES TO QUESTIONS SUBMITTED BY MR. WITTMAN**

Secretary HAGEL. The Department is currently in the process of conducting a strategic choices and management review (SCMR), which will examine the choices that underlie our defense strategy, posture, and investments, identify the opportunities to more efficiently and effectively structure the department, and develop options to deal with the wide range of future budgetary circumstances. It will be informed by the strategy that was put forth by the President a year ago, and we will keep strategy in mind at every step of this review. The results of this review are expected to provide the Department with a holistic set of strategic choices to preserve and adapt the defense strategy—to include possible adjustments to military personnel levels—if sequestration is not de-triggered. [See page 56.]



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**QUESTIONS SUBMITTED BY MEMBERS POST HEARING**

APRIL 11, 2013

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## QUESTIONS SUBMITTED BY MR. MCKEON

Mr. MCKEON. During your testimony, you stated:

“As to the nonproliferation question in the budget, as you know, DOD does not have responsibility for funding nonproliferation programs. Our responsibility is funding and maintaining, securing the stockpile—the nuclear stockpile. And we’ll continue to—to do that. The nonproliferation programs, which we work with State on, specifically, also Energy, but—and we participate in that process, but the funding doesn’t come from DOD.”

Could you please clarify this statement? How do you define nonproliferation and do you consider the DOD-funded Cooperative Threat Reduction program to be a nonproliferation program? If not, then what is the purpose and object of the CTR program and what will the \$528 million FY14 request for CTR be used for?

Secretary HAGEL. I answered the question in the context of the Department of Defense and the National Nuclear Security Administration (NNSA’s) budgets, and how the respective funding for each differs in terms of the nuclear stockpile (over which we have a shared responsibility) and NNSA’s nonproliferation programs. DOD does support a number of important nonproliferation-related efforts. In particular, DOD’s Cooperative Threat Reduction (CTR) program, implemented by the Defense Threat Reduction Agency, is an example of DOD-funded nonproliferation work. DOD’s CTR program plays a critical role in preventing and reducing weapons of mass destruction threats, complementing and supporting the President’s nonproliferation agenda. The Nunn-Lugar programs, of which CTR is a part, recently celebrated 20 years of successful efforts, securing or destroying as appropriate, biological and chemical weapons and production capabilities, strategic delivery systems and weapons usable fissile material.

Mr. MCKEON. The budget materials that the committee received this year states that “There will be a rebalance of force structure and investments toward the Asia-Pacific and Middle East regions while sustaining key alliances and partnerships in other regions.” Does this suggest that more forces and investment will be flowing to the Middle East. Is this a change to last year’s defense strategy, which sought to re-balance to the Asia-Pacific theater while maintaining a presence in the Middle East.

Secretary HAGEL. There is no change in strategy. The Department continues to use the 2012 Defense Strategic Guidance (DSG) as its foundation for prioritizing DOD activities, missions, and presence. The DSG provides that DOD will rebalance toward the Asia-Pacific region while continuing to place a premium on U.S. and Allied military presence in—and in support of—partner nations in and around the Middle East. DOD will sustain a presence in the Middle East that is capable of responding to contingencies, deterring aggression, and countering violent extremist threats. The budget materials offered to the Committee are consistent with this guidance.

Mr. MCKEON. Is it accurate that the QDR is on hold until the strategic choices and management review is complete? How is the review going to impact the QDR? I understand your cost assessment team rather than your policy and strategy shop is leading the strategic choices and management review—can you explain why? Please explain why this is not a recipe for a budget driven QDR.

Secretary HAGEL. The QDR is being preceded by a 60-day Strategic Choices and Management Review. As I have stated, the 2012 Defense Strategic Guidance is the review’s point of departure, ensuring a strategy-driven foundation for examining a range of potential budgetary scenarios. The review is led by the Deputy Secretary of Defense working with the Chairman of the Joint Chiefs of Staff. Because the purpose of the review is the development of potential budgetary scenarios and options for cost-savings, I directed the head of our cost assessment team to organize the effort. That being said, there is an integration group that convenes daily, including participants from the Office of the Under Secretary of Defense for Policy, the Joint Staff, and my personal staff, to oversee the review. I anticipate that the review will identify areas where the constrained fiscal environment could place stress on the Department’s ability to execute the defense strategy. The results of the Strategic

Choices and Management Review will then be examined in more depth during the QDR.

Mr. MCKEON. When do you expect to begin work on the QDR? Consistent with section 113 of Title 10 USC, Congress has made its appointments to the National Defense Panel, while the Department has not. When will you make your appointments to the National Defense Panel?

Secretary HAGEL. The QDR will begin soon after the completion of the Strategic Choices and Management Review, which will be provided for my review in early June. The QDR will be completed in time to deliver the QDR report to Congress in February 2014. I will appoint National Defense Panel co-chairs prior to the start of the QDR.

Mr. MCKEON. You recently stated that North Korea is “skating very close to a dangerous line.” What is that line? And what would be the implications for North Korea if they crossed that line?

Secretary HAGEL. My April 10 statement referred to North Korea’s increasingly belligerent rhetoric and actions over the last several months, including its launch of a ballistic missile in December 2012, its third nuclear test in February 2013, North Korea’s declaration in March 2013 that the 1953 Armistice Agreement was invalid, its threat to launch a preemptive nuclear strike against the United States and South Korea, and its pledge to restart its Yongbyon nuclear complex.

I do not want to speculate about a U.S. response to hypothetical scenarios. The bottom line is that the United States is prepared to and capable of defending the homeland and our Allies against the North Korean nuclear, other weapons of mass destruction, and missile threat. The United States takes North Korean provocations very seriously, and I can assure you that there would be grave consequences for the regime if it took actions that threatened the security of the United States or our Allies.

Mr. MCKEON. Is it your assessment that the French had to conduct the operation in Mali due to the gains that Al Qaeda was making in the country?

If so, had the French not stepped up to conduct this operation in Mali, would the U.S. have conducted the operation? If not, why?

Secretary HAGEL. The French intervened in Mali in response to a Malian request for assistance and because the French feared—as they put it—that “the whole of Mali will fall into their (terrorist elements) hands, threatening all of Africa, and even Europe.” We also recognized that al-Qa’ida in the Lands of the Islamic Maghreb (AQIM) was expanding its freedom of movement. We increased efforts with neighboring countries to contain the threat within Mali, and began providing support to the African-led International Assistance Mission in Mali (AFISMA). As AQIM forces moved south and the French responded, we made a policy decision to support the French efforts to counter this shared threat.

Mr. MCKEON. Is it correct that the Department has a \$53 billion shortfall for FY13—\$41B for the sequester, \$10B for OCO, and \$2B from fuel?

Given this shortfall, have you or anyone in DOD asked OMB and the White House to submit to Congress a FY13 supplemental to make up the shortfall? Absent a supplemental request, how do you plan to make up the shortfall?

Secretary HAGEL. Yes, that is the approximate amount of the total funding shortfall the Department faces this fiscal year. The Department will prepare a reprogramming action that will address much of the OCO shortfall. Reduced consumption and potential mitigation of fuel prices for the remainder of the fiscal year may reduce some of the fuel bill. However, the Department has no way to mitigate the impact of sequester other than reducing spending across all the programs, projects, and activities that are impacted by the sequestration.

In the current fiscal climate it is highly unlikely that a supplemental budget request will be favorably acted on. Therefore, the Department is not making any plans to submit a supplemental budget request.

The Department highlighted the impact of sequestration. The Department is taking a wide range of actions to slow operating spending. These include travel and conference limits; civilian hiring freezes; layoffs of temporary/term employees; cutbacks in facility maintenance; reductions in base operating support expenses and reduced service support contracts. Civilian furloughs are unavoidable. Equipment maintenance inductions have been deferred to include ship availabilities. Multiple training events across all the Military Departments were cancelled. Flying hours and steaming days were reduced. Virtually every acquisition program will have to manage with fewer funds, resulting in selected reductions in procurement quantities and delayed research and development efforts. The Department is still assessing the impact to specific programs.

As the military leadership has articulated, we are eating into readiness, not sustaining readiness. The real impact will be felt in the months and years ahead. There

are no easy solutions to our dilemma other than taking action to de-trigger sequestration.

Mr. MCKEON. Earlier this year we received a letter from senior military leadership, known as the 28-Star letter, warning of a readiness crisis. Your budget does not appear to request funds to fix the damage to our readiness caused by sequester. Please explain how this budget request addresses the readiness crisis? Are there any shortfalls?

General DEMPSEY. The FY 2014 President's Budget (PB14) does not include funds to restore lost readiness caused by sequester because we do not yet know the full impact or the cost of recovery from the readiness shortfalls we are experiencing this fiscal year. PB14 does, however, fund initiatives that seek to return to full-spectrum training and preparation for missions beyond current operations in Afghanistan. The Department continues its work to understand and quantify readiness activities as we seek to maximize our preparedness for real-world missions.

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#### QUESTIONS SUBMITTED BY MS. SANCHEZ

Ms. SANCHEZ. I am very appreciative of the Department's strong support of biomedical research, which has led to many advances in medical care for our wounded warriors as well as many medical interventions that are in the pipeline. It is of note that many of these new diagnostics and treatments have the added benefit of helping all American citizens. I have noted with interest that the Department has sponsored a very important conference—the Military Health System Research Symposium (MHSRS)—which provides an opportunity for all the services to identify and share advances as well as identifying critical research needs. The real time sharing of important medical research information and the exchange of ideas fosters the development and rapid advancement of medical innovations. It is an important forum in which problems are identified and possible solutions developed. Many successful medical treatments and innovative research programs have been initiated as a result. It also provides a forum where academic and industry collaborators, at their own expense, can assist with developing solutions. I am concerned that some other conferences have been cancelled this year, but would like to recommend the continuation of the MHSRS. This conference provides a unique opportunity for a great deal of information to be exchanged and discussed between all interested parties in a very short period of time—which expedites the delivery of these new medical interventions to our wounded warriors. While I support cost saving measures, the department needs to be mindful that this conference has many additional benefits—not the least of which is to preclude duplication of efforts, thus saving both time and money. The benefit ultimately saves lives.

Secretary HAGEL. I appreciate your endorsement of this symposium. The Department finds the interchange to be very productive. In light of fiscal constraints, DOD is looking at other formats to conduct the conference, e.g. virtually, to curtail total costs while maximizing participation. I recognize the value of on-site attendance, but look to include other means of exchange that will hold down travel costs while maximizing participation.

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#### QUESTIONS SUBMITTED BY MR. FORBES

Mr. FORBES. As part of the final conference report on the National Defense Authorization Act (H.R. 4310), members of the House and Senate chose to include Section 533, protecting the conscience rights of service members and chaplains, and directing the Secretary of Defense to issue regulations implementing the protections afforded by this section. Since the bill was signed into law on January 2, 2013, what steps have you taken to implement section 533 and when will the final regulations be issued?

Secretary HAGEL. The Department of Defense places a high value on the rights of military personnel and their families to observe the tenets of their religions wherever they may be stationed around the world.

Long-standing policy maintains that chaplains have the freedom to preach and conduct religious worship according to the dictates of their religions. Consistent with the Department's long-standing policy of religious freedom, the DOD is in the process of revising two Department of Defense Instructions (DODIs) to implement section 533 of the National Defense Authorization Act for Fiscal Year 2013.

These revised instructions will fully support Service members' rights to practice their religions and receive religious accommodations as appropriate, as well as affirm Chaplains' rights to practice their faiths without fear of reprisal and without

having to perform services which are inconsistent with their religious beliefs, and those of the religious organizations with which they are affiliated.

The Undersecretary of Defense for Personnel and Readiness September 30, 2011 memorandum to the Secretaries of the Military Departments and Chiefs of the Military Services supports section 533, through guidance that affirms Chaplains' rights to refuse participation in events that would be in variance with tenants of his or her religion or personal beliefs.

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#### QUESTIONS SUBMITTED BY MR. MILLER

Mr. MILLER. Section 2814 of the FY13 NDAA, as signed by the President, requires the DOD to report on the recent Air Force Materiel Command reorganization. Can you provide an update to the status of this report? Can you tell me who in OSD has the lead for this report and whether OSD has directed the Air Force to provide input to assist with preparation of the report? If the Air Force has been so directed to support, what organizations are involved and what is their roles?

Secretary HAGEL. The Assistant Secretary of Defense for Research and Engineering (ASD(R&E)) has the responsibility for the report required by section 2814 of the FY13 NDAA on the Air Force Material Command reorganization. The Department intends to send the completed report by September 30, 2013. The ASD(R&E) asked the Secretary of the Air Force for Acquisition (SAF/AQ) for input on the reorganization, and how it is proceeding. This input will be sent to ASD(R&E), who will then complete the report, in coordination and consultation with the Assistant Secretary of Defense (Acquisition), and other key OSD offices.

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#### QUESTIONS SUBMITTED BY MR. LANGEVIN

Mr. LANGEVIN. Secretary Hagel, Given the shortage of qualified cyber personnel in both the military and civilian domains, in your view, is DOD doing enough to ensure that such personnel are properly positioned within the Department? Are we diluting our cyber operators too much by spreading them out to the various commands, or are we striking the proper balance with regards to the integration of cyber capabilities into our force structures?

Secretary HAGEL. I believe that DOD is moving expeditiously to address the growing threats faced in cyberspace. As part of its efforts to develop cyberspace operations capabilities, the Department provides cyber capabilities where they are most needed. DOD must ensure that defense networks are more secure and have the capability to continue operating in degraded information environments. The Department also needs to provide strong support to combatant commanders. Finally, DOD needs to have both the capabilities and capacity to defend the United States against significant threats in cyberspace. In light of these priorities, DOD is building teams comprising more than 6,000 highly skilled military and civilian personnel to support national and Combatant Command specific missions, focusing on the most critical threats and requirements first. As DOD's cyber force structure is built, civilian and military personnel will continuously assess implementation to ensure that the Department is maximizing operational effectiveness and striking a reasonable balance across the priority missions.

Mr. LANGEVIN. General Dempsey, I'd like to touch on a couple operational aspects to anti-access area denial environments. Such battlespace limitations are likely to place a premium on particular assets, technologies, and competencies, particularly in the Asia-Pacific region where there is a significant proliferation of submarines, advanced tactical fighters, and ballistic missiles, as well as many electronic warfare challenges. Can you speak to how the Department is resourcing, training, and investing in research and development in order to meet those challenges, particularly with regards to directed energy, undersea warfare, and advanced tactics, techniques, and procedures?

General DEMPSEY. There are many ongoing efforts that are addressing these issues: Sustaining Global Leadership: Priorities for 21st Century Defense, clearly established the 10 primary missions of the Joint Force. The ability to project power despite Anti-Access/Area Denial (A2/AD) challenges is one of the 10 and when that particular mission is accomplished, it serves as a key enabler to accomplishing the other nine primary missions. The guidance directs the implementation of the Joint Operational Access Concept (JOAC). The concept describes how the joint force will operate to overcome the challenges you describe. The concept identifies 30 capabilities required to implement the concept. The JCS also identified three supporting concepts including: A multi Service Air-Sea Battle concept, which is being implemented, a concept for Entry Operations which is nearing completion and a concept

for sustained joint land operation that will be developed. Holistically these concepts will ensure the development of capabilities to include training, materiel, leadership development and the advanced tactics, techniques and procedures to ensure the Joint force can operate in an A2/AD environment. Many combatant command and Service Title 10 training events are planned between FY14–18 to exercise countering the A2/AD threat. The Department has re-aligned training funds in FY14 to United States Pacific Command (USPACOM) in order to support the President's National Strategy of an Asia-Pacific rebalance. Three USPACOM exercises include objectives specifically focused on countering A2/AD threats.

As for advances in directed energy capabilities, there is great potential for using directed energy for both kinetic and non-kinetic purposes to include advanced laser rangefinders and designators, use against sensors that are sensitive to light, uses to protect friendly equipment, facilities, and personnel, and to retain friendly use of the electromagnetic spectrum. Services are exploring the feasibility of directed energy weapons.

Mr. LANGEVIN. General, given how sensitive many aspects of cyber operations are, in your view, are we doing enough to ensure we are able to share information and operate jointly with our allies, particularly in the Asia-Pacific region, at least to the level of establishing a common operating picture both in the traditional domains and in cyberspace?

General DEMPSEY. There are several information sharing, Common Operating Picture (COP) and cyber space efforts underway to ensure sufficient focus on these important issues.

First, we are working very hard to improve interoperability and share information with our allies. Recent achievements include significantly improved email capability to share Secret releasable information with our regional FVEY partners (Australia and New Zealand). We also established the capability for Australians to access US web-based Secret-Releasable information and connected US and Australian secure voice telephone networks. These same web and voice capabilities will be available for New Zealand within six months. Secondly, to improve security of classified and unclassified information sharing we are working with our partners to cross certify national public key security systems. Using Public Key "Smart Card" technology to access networks and resources ensures our data exchanges are attributable. The first step in this area was made on 9 May 2013 when the Department of Defense Chief Information Officer signed an unclassified public key cross certification agreement with her Australian counterpart.

Additionally, beyond our regional FVEY allies, we are also developing processes and procedures that will better enable information sharing with any potential mission partner. This Mission Partner Environment (MPE) capability framework allows mission partners to plan, prepare, and execute operations in the same security domain supporting the Commander's intent for unity of effort.

I agree that we need a Common Operating Picture (COP) in the traditional domains. The Global Command and Control System—Joint (GCCS-J) is DOD's primary fielded COP capability to the combatant commands, Services, Defense Agencies, and the Joint Staff. Pending GCCS-J enhancements will improve the cross domain sharing of COP data with mission partners enabling more effective joint operations.

Lastly, DOD has a validated requirement for cyber situational awareness (SA) and is currently conducting an Evaluation of Alternatives that serves as the first phase to inform the allocation of the DOD's new and existing investments in achieving cyber situational awareness capabilities that will become part of our fielded GCCS J COP capability.

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#### QUESTIONS SUBMITTED BY MR. TURNER

Mr. TURNER. The Joint IED Defeat Organization (JIEDDO) was established 7 years ago and has since been provided billions of dollars in funding to develop counter-IED capabilities for the warfighter. However, GAO has identified several significant internal control weaknesses and a lack of comprehensive visibility over all of DOD's counter-IED efforts external to JIEDDO, and that these issues have persisted for many years despite several reports and recommendations to address these problems. GAO cited, among other things, a lack of sustained management attention and senior DOD leadership as causes for these continued problems. It has also been argued by some that JIEDDO may not have all the authority it needs to effectively lead and oversee all of DOD's joint and military service counter-IED activities.

What will JIEDDO's mission and organization be in the future beyond 2014? Will JIEDDO stay a separate entity as it is currently, or will it be integrated into other existing organizations and processes?

General DEMPSEY. JIEDDO is a joint entity and a jointly manned activity of the Department of Defense (DOD) operating under the direction of the Deputy Secretary of Defense. The future of JIEDDO's mission and organization are being discussed as part of a broader effort to determine the Department's long term approach to providing quick reaction capabilities. The Joint Staff is an active participant in these ongoing discussions to ensure alignment to current and developing strategic guidance and fiscal realities, while at the same time maintaining the requisite focus on the enduring threat that IEDs present. The options currently under consideration range from maintaining an organization with functions and responsibilities similar to those currently performed by JIEDDO to a distribution of those functions and responsibilities to other DOD organizations with related competencies. It is premature to speculate on what JIEDDO's mission and organization will be beyond 2014 until deliberations conclude and a recommendation is made to the Secretary.

#### QUESTIONS SUBMITTED BY MR. KLINE

Mr. KLINE. Does the Office of the Secretary of Defense recognize that there are inefficiencies in the Medical Evaluation Board system which are causing extreme hardship for Reserve Component soldiers? If so, what immediate and long term actions are being taken to correct the growing number of Medical Evaluation Board cases?

Secretary HAGEL. The Department is not aware of specific inefficiencies in the Medical Evaluation Board phase of the Integrated Disability Evaluation System (IDES) which are causing extreme hardship for Reserve Component soldiers. However, we are constantly looking for ways to make this process more efficient and less burdensome to the Service members. For example, effective March 2012, the Department provided Service members with the option to undergo interview and examination at a Veterans Health Administration location closest to home. This eliminates the need for Service members to travel long distances to a Military Treatment Facility.

Through efforts like this, there has been a 26% reduction in processing timeliness for Reserve Component cases through the 140-day Medical Evaluation Board phase (174 to 128 days) over the last 6 months.

Mr. KLINE. What actions are being taken to establish a singular, transparent system that adjudicates service members cases fairly and quickly?

Secretary HAGEL. In 2007, DOD and VA integrated the disability evaluation processes for seriously ill and injured Service members to establish, within the confines of existing law, a singular, transparent, faster, and fair process.

- DOD and VA eliminated redundant disability ratings, which simplified, accelerated, and increased the consistency of disability determinations between the Departments.
- DOD and VA provide Service members their disability ratings and anticipated disability compensation prior to separation from military service so that they are better prepared to make decisions about their future.
- Since implementing the integrated the disability evaluation process, DOD and VA decreased the time from referral for disability evaluation to VA benefits receipt by 30% (540 days to 376 days).
- In the past six months, DOD and VA reduced the time for the medical evaluation portion of the integrated disability evaluation process by 39% from 132 days to 80 days, and the Departments are now meeting the 100-day goal. The time required to complete physical evaluation boards also decreased by 25%, from 133 to 100 days, and is currently meeting the 120-day goal. The Department of Defense is committed to improving the overall process and has taken the following actions to further improve the Integrated Disability Evaluation System (IDES).
- DOD increased IDES staff levels by 127% (676 personnel) to improve case processing timeliness and customer service.
- DOD authorized the Services to use PhD psychologists (in addition to psychiatrists) to adjudicate behavioral health cases, and reduced the requirement for Informal Physical Evaluation Board membership from 3 to 2 to increase their capacity to process cases.
- The Army improved its Medical Evaluation Board timeliness by 74% (reduced from 117 to 31 days against 100-day goal) at select locations by segmenting Soldiers into cohorts of simpler versus complex cases.

- The Military Departments are identifying and expediting back-logged cases and giving priority to clearing oldest cases first and are committed to clearing their back-logs by December 2013.

Mr. KLINE. The 2004 initiative regarding Integrated Electronic Health Records between Department of Defense and Veterans Affairs medical entities was abandoned in February 2013, apparently due to technological obstacles. An integrated record, shared between the two agencies, would have greatly helped transparency of the Medical Evaluation Board process, especially as the Integrated Disability Evaluation System (IDES) is fully implemented. The Veterans Affairs and Department of Defense have apparently opted for a more affordable solution to link the separate record systems using existing programs. When will this be complete?

Secretary HAGEL. I would like to dispel any belief that DOD and VA are moving away from a joint, seamless electronic health record (EHR). Our goal remains to seamlessly integrate DOD and VA electronic health record data, and while the strategy used to accomplish this goal has changed; the end goal remains the same. Therefore, we are implementing actions to accelerate availability of seamless information by developing a core set of iEHR data interoperability capabilities, such as allowing VA and DOD patients to download their medical records (what we call our Blue Button Initiative); expanding the use of the graphical user interface to seven additional sites and its expansion of two DOD sites; and improving the integrated electronic health record data before the end of this year, by standardizing health care data.

Mr. KLINE. Is there a difference in the average adjudication time between an Active Component soldier versus Reserve Component soldier through the Medical Evaluation Board/Physical Evaluation Board process? If there is a difference in time, why is there such a disparity?

Secretary HAGEL. Yes, there are slight differences. The Medical Evaluation Board (MEB) phase goal for Active Component Service members is 100 days, while Reserve Component Service members is 140 days. The DOD/VA allocates an additional 40 days for Reserve Component Service members to gather medical and Veterans records required for processing.

Between November 2012 and April 2013 leading indicators show that MEB timeliness for Active Component cases improved 33% to an average of 80 days. MEB timeliness for Reserve Component cases improved 26% to an average of 128 days. The Department is now meeting its goals for timeliness of MEBs for both Active and Reserve Component cases.

The Physical Evaluation Board (PEB) phase goal for both Active and Reserve Component cases is 120 days. Between November 2012 and April 2013 leading indicators show that PEB timeliness for the Active Component cases improved 17% to an average of 101 days, while Reserve Component cases remained steady at an average of 158 days. During this period, the number of Reserve Component cases at the PEB increased by 65% (2,017 to 3,322). The Military Departments are increasing their capacity to adjudicate Reserve Component cases to meet the higher demand.

Mr. KLINE. Can the Department of Defense task Reserve Components to place clinical professionals on orders to augment existing Military Treatment Facility staff in order to relieve the backlog?

Secretary HAGEL. Yes, the Department can request Reserve augmentation. However, DOD does not believe it is necessary to augment military treatment facility staff with Reserve Component clinical professionals at this time. Because Medical Evaluation Boards (MEBs) are conducted at Military Treatment Facilities, a review of leading indicators show that MEB timeliness significantly improved for all Military Departments. Between November 2012 and April 2013, the number of Reserve Component cases in the MEB phase decreased 12%. During the same period DOD and VA improved timeliness 26%, shortening the MEB phase from 174 days to 128 days, which meets the 140-day Reserve Components MEB phase goal.

Mr. KLINE. What is the current backlog at the Military Treatment Facilities for Reserve Component and Active Component cases?

Secretary HAGEL. In April 2013, there were 9,185 Active Component cases and 2,672 Reserve Component cases in the Integrated Disability Evaluation System (IDES) that are exceeding timeliness standards.

Mr. KLINE. There appears to be great variance in communication models from Physical Evaluation Board Liaison Officer (PEBLO) to PEBLO, even among PEBLOs from the same Military Treatment Facility. Are the communication expectations for PEBLOs standardized?

Secretary HAGEL. Yes. DOD instruction 1332.38, "Physical Disability Evaluation," sets standard communication requirements for PEBLOs, including the timeliness for counseling of service members upon their referral for disability evaluation (10 days)

and the topics that must be communicated. Each year the Military Departments submit a report to DOD certifying their PEBLOs are trained and adhering to DOD policies. The Department recognizes the need for continuous learning and improvement and began a bottom-up re-build of the Disability Evaluation System (DES) training standards and objectives. DOD will provide these improved training standards and objectives to the Military Departments no later than June 30, 2013. Additionally, DOD is revising disability quality assurance requirements to measure PEBLO communication/practices.

Mr. KLINE. Do you need legislative authority from Congress to address and correct deficiencies in the Medical Evaluation Board process?

Secretary HAGEL. No. I appreciate the Congress' interest in this issue but the Department does not need any legislative assistance with the Medical Evaluation Board process at this time.

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#### QUESTIONS SUBMITTED BY MS. BORDALLO

Ms. BORDALLO. The FY 13 NDAA under section 2832 requires the Department of Defense to meet 4 requirements in order to fully spend Government of Japan funds that have been received and are currently sitting unobligated in the U.S. Treasury. This is a matter of great concern to our community. What steps is the Department of Defense taking to meet these 4 requirements?

Secretary HAGEL. The Department of Defense will ensure that Congress is provided regular updates on the status of realignment planning, as well as on expenditures of any related funds. Within the next few weeks, the Department plans to provide a comprehensive response to Congress detailing DOD efforts to meet the requirements of section 2832. This response will be in the form of a letter from the Deputy Secretary to the leadership of this Committee and others. It will include details of the specific steps being taken to meet the requirements of Section 2832.

Ms. BORDALLO. It is important to ensure that as we draw down in Afghanistan that we posture our nation to ensure freedom of access and economic prosperity in the Asia-Pacific region. I read with interest the fact that you have ordered a Strategic Choices and Management Review that will challenge all previous assumptions and strategy, including those made in the 2011 Defense Strategic Guidance. The Asia-Pacific region is the world's most militarized region with 7 of the 10 largest militaries and multiple nations with declared nuclear arms. Instability in this region will have a direct and immediate effect for our nation. I wish to emphasize to you today the need for continued focus on the Asia-Pacific region. Mr. Secretary, can I get your commitment once again that as you and the Department look into the future, you will keep the Asia-Pacific Region at the center of your focus?

Secretary HAGEL. The 2012 Defense Strategic Guidance stated that the Department "will of necessity rebalance toward the Asia-Pacific region," and that strategy remains in effect today. The United States will maintain its security presence and engagement in the Asia-Pacific. Specifically, defense spending and programs will continue to support key priorities. At the same time, reviewing strategies and underlying assumptions, as the Department is doing in the Strategic Choices and Management Review, is always a prudent measure to ensure American security.

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#### QUESTIONS SUBMITTED BY MR. ROGERS

Mr. ROGERS. A senior Russian researcher, Sergei Rogov, recently claimed that the Aegis Ashore platforms we have chosen to deploy in Romania and Poland are a violation of the INF treaty because the VLS canisters could launch the Tomahawk Land Attack Missile, the TLAM cruise missile. Can you state whether you agree with that statement? Do these deployments violate the INF treaty?

Secretary HAGEL. The land-based Standard Missile-3 (SM-3) system, sometimes referred to as Aegis Ashore, will be developed, tested, and deployed in a manner that is fully consistent with U.S. obligations under the Intermediate-Range Nuclear Forces (INF) Treaty. Specifically, the land-based SM-3 will be developed and tested solely to intercept and counter objects not located on the surface of the Earth. Under paragraph 3 of Article VII of the INF Treaty, such a missile is specifically exempted from the limitations of the Treaty. The launcher for the land-based SM-3 will be fully consistent with the INF Treaty. The launcher will not be capable of launching the Tomahawk cruise missile or any missile prohibited under the INF Treaty.

Mr. ROGERS. Why is the INF treaty of enduring value to the security of the United States and its NATO allies?

Secretary HAGEL. The INF Treaty remains a foundational pillar of strategic stability for the Euro-Atlantic region, and one that is in the interests of the United

States, the Russian Federation, and NATO Allies. Reintroduction of intermediate- and shorter-range missiles into the arsenals of the Parties would be a destabilizing element in the geostrategic relationship between the United States and the Russian Federation.

Mr. ROGERS. During his recent appearance before this committee, NORTHCOM Commander Jacoby testified that, "What a third site gives me, whether it's on the East Coast or an alternate location, would be increased battle space. That means, increased opportunity for me to engage threats from either Iran or North Korea." (emphasis added)

Do you agree with the Commander of NORTHCOM? Does a third site provide more "battle space" for the defense of the homeland?

Secretary HAGEL. Yes, a third Ground-Based Interceptor (GBI) site would provide increased "battle space" for some homeland defense scenarios. Generally speaking, more battle space increases decision time to determine the appropriate actions to be taken. A key question is whether the benefits associated with more battle space are worth the cost of a third site (approximately \$3 billion for an East Coast missile field). Although there is no current requirement for a third site, the Department is in the early stages of identifying at least 3 candidate locations for a third GBI site as directed by the Fiscal Year 2013 National Defense Authorization Act. At least 2 of the possible sites must be on the East Coast. The Department will also conduct environmental impact statements in compliance with the National Environmental Policy Act for the possible sites as directed, and consider the benefits of such a site in comparison to the costs.

Mr. ROGERS. General Kehler, commander of U.S. Strategic Command, testified before the Senate Armed Services Committee last month that, "I am confident that we can defend against a limited attack from Iran, although we are not in the most optimum posture to do that today . . . it doesn't provide total defense today." What he was referring to was what the National Research Council described in its 2012 report as the basis of an East Coast missile defense site, "to provide the battle space necessary for shoot-look-shoot of the entire country."

Do you agree that the East Coast of the United States is not presently defended from Iran with a shoot-look-shoot missile defense? What is the plan today to provide that capability now that Phase IV of the EPAA has been terminated?

Secretary HAGEL. The United States is currently defended from any intercontinental range ballistic missile that Iran may acquire in the foreseeable future. The Department is continuing the development of the technologies and capabilities that could allow for improvements to the shot doctrine in the future, and remains focused on pursuing the most cost-effective means to improve missile defense within the current resource-constrained environment.

Mr. ROGERS. Mr. Secretary, the decision to terminate the Precision Tracking Space System (PTSS) and the SM-3 IIB missile frees up \$4 billion over the Future Years Defense Program. We are told the March 15th strategy will cost \$1 billion. Is the remaining \$3 billion coming out of the missile defense budget? As you know, that budget has been cut each every year the President has been in office and is \$6 billion dollars below the Bush Future Years Defense Program.

Secretary HAGEL. Of the \$4 billion, the Department added \$2 billion back into the Missile Defense Agency budget across the Future Years Defense Program, and used the remaining \$2 billion for other Department priorities.

Mr. ROGERS. In your nomination hearing to be Secretary, you distanced yourself from the recommendation of the Global Zero report, which you had previously signed, and endorsed the maintenance and modernization of the TRIAD of nuclear delivery systems. Do you continue to support the nuclear TRIAD of submarines and missiles, ICBMs and bombers with gravity bombs and cruise missiles?

Secretary HAGEL. Yes. I believe that retaining the Triad, consistent with the Nuclear Posture Review's conclusions, remains the right decision at the present time. I believe that the Triad's mix of intercontinental ballistic missiles, submarine-launched ballistic missiles, and nuclear-capable heavy bombers continues to support U.S. national security interests.

Mr. ROGERS. When can the Congress expect to receive the plan called for by the FY12 NDAA concerning the force structure of the U.S. nuclear force under the New START treaty? How much funding is required in FY14 for force structure reductions to implement the treaty?

Secretary HAGEL. The FY14 President's Budget request for Fiscal Year 2014 maintains the current force structure (14 ballistic missile submarines, 450 intercontinental ballistic missiles, and 98 heavy bombers). A decision on reductions in U.S. forces to meet the New START Treaty limits is expected to be finalized before Fiscal Year 2015 begins. This approach provides the maximum flexibility to tailor our force structure to meet deterrence requirements while still enabling us to meet

the Treaty's deadline in February 2018. In the meantime, the Department will continue necessary planning activities to implement the reductions, to remove from New START accountability previously retired systems, and support the full verification and inspection regime allowed under the Treaty.

Mr. ROGERS. The Guardian newspaper reported on Tuesday that the father of Pakistan's nuclear bomb, A.Q. Khan, admitted to traveling to North Korea repeatedly over several years. It is reported these trips involved him "handing over nuclear secrets in exchange for missile technology." How has this and other cooperation, including Iranian, Chinese and Russian, enhanced North Korea's nuclear program?

Secretary HAGEL. North Korea's links with the black market of illicit nuclear trafficking and the related exchange of nuclear-related expertise, technologies, components or material extends well beyond its dealings with A.Q. Khan. North Korea's nuclear program is supported by North Korean efforts across the globe. I am equally concerned about the potential proliferation by North Korea of weapons of mass destruction, ballistic missiles, and related materials. The dynamic structures of proliferation networks are challenging, but DOD is actively working with international and interagency partners to address this challenge.

Mr. ROGERS. The March 2013 data declaration shows that for the third year since entry-into-force of the New START treaty, the Russian Federation is already below the deployed warhead and deployed delivery vehicle limits of that treaty. Thus, is it correct that only the United States must reduce those deployed systems to comply with the treaty?

Secretary HAGEL. Under the New START Treaty, each Party retains the right to determine for itself the structure and composition of its strategic forces within the Treaty's overall limits. Although the Russian Federation is below the deployed warhead and deployed delivery vehicle limits as of March 1, 2013, it remains above the limit of deployed and non-deployed launchers of intercontinental ballistic missiles and submarine-launched ballistic missiles, and both deployed and non-deployed heavy bombers. Under the terms of the New START Treaty, each Party has until February 5, 2018, to meet the Treaty's overall limits.

Mr. ROGERS. Chairman Turner wrote to you in early March to ask you whether Russia was acting consistently with its arms control obligations to the U.S. At the time, you wrote that the final report of the annual "Adherence to and Compliance with Arms Control, Nonproliferation, and Disarmament Agreements and Commitments" report was "in final coordination and forthcoming but has not yet reached [your] desk for review." Have you now reviewed this report? Can you now answer the question?

General DEMPSEY. The report, which is submitted by the Secretary of State on behalf of the President, is in final coordination. I respectfully defer to that forthcoming official assessment.

Mr. ROGERS. When can the Congress expect to receive the plan called for by the FY12 NDAA concerning the force structure of the U.S. nuclear force under the New START treaty? How much funding is required in FY14 for force structure reductions to implement the treaty?

General DEMPSEY. The FY14 President's Budget maintains the current force structure (14 SSBNs, 450 ICBMs, and 98 nuclear-capable heavy bombers). A decision on reductions in U.S. forces to meet the New START Treaty limits is expected to be finalized before FY15 begins. This approach provides flexibility to tailor our force structure to meet deterrence requirements while still enabling us to comply with the treaty central limits by February 2018.

Mr. ROGERS. The March 2013 data declaration shows that for the third year since entry-into-force of the New START treaty, the Russian Federation is already below the deployed warhead and deployed delivery vehicle limits of that treaty. Thus, is it correct that only the United States must reduce those deployed systems to comply with the treaty?

General DEMPSEY. New START was created with a view to maintain flexibility by allowing each Party to determine for itself how to structure its strategic nuclear forces within the aggregate limits of the Treaty. The United States and Russia have the freedom to determine how to meet the three central limits of the New START Treaty by February 5, 2018, which is the end of the treaty's seven-year reduction period. As indicated by the March 2013 biannual data exchange, the United States still maintains more strategic offensive arms than Russia in every category of declared aggregate data. Yes, it is correct that only the United States must reduce its deployed systems to comply with the treaty. Although the Russian Federation is below the deployed warhead and deployed delivery vehicle limits, it still is above the limit of deployed and non-deployed launchers of ICBMs and SLBMs, and deployed and non-deployed heavy bombers.

Mr. ROGERS. General Kehler, commander of U.S. Strategic Command, testified before the Senate Armed Services Committee last month that, "I am confident that we can defend against a limited attack from Iran, although we are not in the most optimum posture to do that today . . . it doesn't provide total defense today." What he was referring to was what the National Research Council described in its 2012 report as the basis of an East Coast missile defense site, "to provide the battle space necessary for shoot-look-shoot of the entire country."

Do you agree that the East Coast of the United States is not presently defended from Iran with a shoot-look-shoot missile defense? What is the plan today to provide that capability now that Phase IV of the EPAA has been terminated?

General DEMPSEY. We continue to look for ways to improve our missile defense of the East Coast. As required by Section 227 of the National Defense Authorization Act (NDAA) for Fiscal Year 2013, the Department of Defense will evaluate at least three locations, including conducting environmental impact assessments, for a potential additional Ground-Based Interceptor (GBI) site in the United States. At least two of these sites will be on the East Coast. The Administration has not decided to proceed with an additional site, but if that decision were made in the future, conducting an environmental impact assessment for each potential site in advance would shorten the timeline for construction.

Our homeland missile defense system today provides coverage for the United States against possible North Korean and Iranian long-range ballistic missiles. The Department recognizes the additional benefit of improving the efficiency of shot doctrine in order to better manage our limited inventory of GBIs in the face of an increasing threat. A "shoot-look-shoot" capability would potentially allow the United States to fire fewer interceptors per incoming missile. The Department is continuing the development of the technologies and capabilities that could allow for modifications to the shot doctrine in the future, and we remain focused on pursuing the most cost effective means to improve missile defense within the current resource constrained environment.

Mr. ROGERS. During his recent appearance before this committee, NORTHCOM Commander Jacoby testified that, "What a third site gives me, whether it's on the East Coast or an alternate location, would be increased battle space. That means, increased opportunity for me to engage threats from either Iran or North Korea." (emphasis added)

Do you agree with the Commander of NORTHCOM? Does a third site provide more "battle space" for the defense of the homeland?

General DEMPSEY. Every military commander will tell you that more "battle space" is better than less. It expands the commander's available options and increases the decision space to allow more time to determine the appropriate actions to be taken. The Department is in the early stages of identifying candidate locations for Environmental Impact Studies (EIS) for a third Ground Based Interceptor (GBI) site as directed in the Fiscal Year 2013 National Defense Authorization Act. At least two of the possible sites must be on the East Coast. The EIS would be part of the process to evaluate the value and effectiveness of a potential third interceptor site to the overall U.S. homeland defense.

Mr. ROGERS. The Guardian newspaper reported on Tuesday that the father of Pakistan's nuclear bomb, A.Q. Khan, admitted to traveling to North Korea repeatedly over several years. It is reported these trips involved him "handing over nuclear secrets in exchange for missile technology." How has this and other cooperation, including Iranian, Chinese and Russian, enhanced North Korea's nuclear program?

General DEMPSEY. [The information referred to is classified and retained in the committee files.]

Mr. ROGERS. General Dempsey, on the matter of verifiability, STRATCOM Commander Kehler recently responded to a letter from me stating that he has no reason to disagree with the position of the Perry-Schlesinger Commission and former Assistant Secretary of State Rademaker that Russia is not in compliance with the Presidential Nuclear Initiatives. Do you agree with them? Are the Russians in compliance with the PNIs?

General DEMPSEY. Every military commander will tell you that more "battle space" is better than less. It expands the commander's available options and increases the decision space to allow more time to determine the appropriate actions to be taken. The Department is in the early stages of identifying candidate locations for Environmental Impact Studies (EIS) for a third Ground Based Interceptor (GBI) site as directed in the Fiscal Year 2013 National Defense Authorization Act. At least two of the possible sites must be on the East Coast. The EIS will be part of the process to evaluate the value and effectiveness of a potential third interceptor site to the overall U.S. homeland defense.

**QUESTIONS SUBMITTED BY MR. JOHNSON**

Mr. JOHNSON. Mr. Secretary, the inability of the Defense Department and Veterans Administration to share the medical records of active and veteran service members has become a national embarrassment. Millions of dollars have been spent over the last decade with no meaningful results. The National Defense Authorization Act of 2008 established the Interagency Program Office to act as the single point of accountability for both departments to develop and implement coordinated electronic health record systems and capabilities.

I understand that, in the last couple of weeks, the IPO conducted a series of tests on integrating representative health data between the two systems in use. Have you been briefed on the results of those tests and the progress they demonstrated in identifying the best solution?

Secretary HAGEL. I have not yet been briefed significantly on the ongoing Integrated Electronic Health Record (iEHR) Increment 0 testing that is underway. I understand this is very early testing is intended to assess the proposed single sign-on and context management capabilities only. Lessons learned from this testing will be incorporated into follow-on efforts.

Mr. JOHNSON. Given the pending requests for potentially hundreds of millions of dollars of Military Construction for Guantanamo, for only 166 people and for a facility that we want to close, at what point does the funding begin to fail the common sense test?

Secretary HAGEL. The Department is currently in the process of assessing whether to repair or to replace certain facilities that have exceeded their anticipated service life (in some cases by many years). DOD will abide by its obligations to keep the Congress informed, consistent with current military construction authorities. The projects being considered would replace deteriorating structures, consolidate facilities, gain efficiencies by reducing detainee movements, and provide quality of life improvements for service members supporting the Joint Task Force mission.

Mr. JOHNSON. Are you in favor of closing the detention facility at Guantanamo Bay?

Secretary HAGEL. The President's goal is to cease detention operations at the detention facilities at Naval Station Guantanamo Bay, Cuba. I fully support that goal.

Mr. JOHNSON. Are you aware of the human rights violations ongoing in Bahrain and what more can the United States do, particularly given the 5th Fleet, to help protect the people there and ensure stability, which surely is in both of our national interests?

Secretary HAGEL. Yes, I am aware of the human rights violations that occurred in Bahrain. I share your concerns regarding the stability of Bahrain's government and the challenges the Kingdom faces in addressing internal unrest. However, I am optimistic that the Bahrain government is making some progress due to the restart of the National Dialogue and the King's appointment of the Crown Prince as the Deputy Prime Minister. I am also certain that Saudi Arabia, Kuwait, and the United Arab Emirates (UAE) will continue to play a productive role in encouraging the dialogue to move forward.

The presence of U.S. Naval Forces Central Command (the Fifth Fleet) in Bahrain increases the ability of the U.S. Government to influence the Government of Bahrain's behavior regarding human rights by providing a means to reinforce U.S. concerns directly with the Bahraini political, military, and security leadership. In addition, the Bahrain Independent Commission of Inquiry, in its report issued in November 2011, indicated that the Bahrain Defense Forces—with which the United States has a relationship—were not implicated in any of the human rights abuses that were described in the report.

Mr. JOHNSON. Do you believe you have the legal authority to transfer a sick detainee to the continental United States?

Secretary HAGEL. No. There are a number of legal provisions that restrict the Department of Defense (DOD) from transferring detainees from Guantanamo to the United States. Section 1027 of the National Defense Authorization Act for Fiscal Year 2013 (FY 2013 NDAA) prohibits the use of FY 2013 funds "to transfer, release, or assist in the transfer or release" any detainee currently held at Guantanamo "to or within the United States, its territories, or possessions." Section 8109 of the DOD Appropriations Act for FY 2013 contains a nearly identical provision. These provisions do not contain exceptions.

Mr. JOHNSON. Are you aware of the human rights violations ongoing in Bahrain and what more can the United States do, particularly given the 5th Fleet, to help protect the people there and ensure stability, which surely is in both of our national interests?

General DEMPSEY. Yes, I am aware of the human rights violations that occurred in Bahrain. I share your concerns regarding the stability of Bahrain's government and the challenges the Kingdom faces in addressing internal unrest. However, I am optimistic that the Bahrain Government is making significant progress, due largely to the start of the National Dialogue and the King's appointment of the Crown Prince as the Deputy Prime Minister. I am also certain that Saudi Arabia, Kuwait, and UAE will continue to play a productive role in encouraging the dialogue to move forward.

The presence of U.S. Naval Forces Central Command (the Fifth Fleet) in Bahrain increases the ability of the U.S. Government to influence the Government of Bahrain's behavior regarding human rights by providing a means to interact directly with the Bahraini political, military, and security leadership to reinforce U.S. efforts in this regard. In addition, the Bahrain Independent Commission of Inquiry, in its report issued in November 2011, indicated that the Bahrain Defense Forces—with which we have a relationship—were not implicated in any of the human rights abuses that were described in the report.

#### QUESTIONS SUBMITTED BY MR. BARBER

Mr. BARBER. Secretary Hagel, thank you for your time today, your service to our country, and your candid testimony. I know you agree, that maintaining our commitments to our allies is a paramount endeavor. As we re-balance defense and diplomatic funding to the Asia-Pacific region, it is important that we continue to send a strong message of support to our allies in other regions. Israel is an important ally and friend to the United States. In order to ensure regional stability and the protection of Israel from harm, a robust, multi-layered air defense system must be in place. The Iron Dome system has proven successful in defending Israel from the onslaught of rockets and missiles targeting Israeli civilians. However, more can be done. I believe we must continue to work to support Israel in this mission and provide them with the additional resources necessary to speed up the production of these batteries. As the United States continues our long and proud commitment of standing by our allies, what more can be done to support Israel and our other allies in the Middle East? And would you agree that standing up another line of production for the Iron Dome missile system would help Israel meet its defense goals?

Secretary HAGEL. As the President and I have said many times, the United States' commitment to Israel's security is unshakeable. Both American and Israeli officials agree that the defense relationship between the United States and Israel has never been stronger, and we are in constant contact with Israel to understand its defense requirements and ensure that it is able to defend itself in this changing security environment.

As a testament to this, the President requested unprecedented levels of support for Israel, even in the midst of a tough fiscal climate. This year the U.S. provided Israel with \$3.1 billion in Foreign Military Financing (FMF), and the Department has worked with Congress to provide significant additional funding for Iron Dome and other cooperative missile and rocket defense programs. To date, DOD transferred approximately \$275 million for Iron Dome (\$205 million in Fiscal Year 2011, and \$70 million in Fiscal Year 2012), and will soon transfer nearly \$200 million in additional Fiscal Year 2013 funding for Iron Dome. The extent of this funding was determined through close consultations with the Israelis to ensure that their Iron Dome funding requirements are met, and funding levels will continue to be determined in coordination with Israel and based upon its security needs. These discussions include the consideration of current and future production needs.

Mr. BARBER. Secretary Hagel, first let me say I applaud your initiatives to reform the Department's acquisition process. I think we all agree the acquisition process is overly complex leading to unnecessary inefficiencies. Second, I appreciate your focus on maintaining critical capabilities in lieu of new acquisitions. In a fiscally constrained environment, it makes sense to maximize our previous investments and be good stewards of the tax payers' money. For example, the budget mentioned maintaining the C-130 for airlift capability rather than procuring a new, more expensive airplane. The budget also noted the Department will retain F-15 and F-16 fighter aircraft. While we greatly anticipate the continued procurement and fielding of the F-35, the fact remains that the Air Force currently lacks the necessary fleet of F-35s to replace the A-10. Yet, also within the budget, the Department continues with its plans to either shift to the Air Force Reserve, or retire, the A-10. In my district, we have Davis-Monthan Air Force Base that is home to the 354th Fighter Squadron, a squadron of A-10s. They just returned from Afghanistan this week. Wouldn't you agree that these pilots, and the A-10s that they fly, provide a

critical close air support role not readily filled by another airframe? What measures is the Department undertaking to ensure sufficient numbers of A-10s are kept mission ready and able to support our forward forces and combatant commanders?

Secretary HAGEL. The A-10 Thunderbolt II has served the country very well for the past 30 years. Through two wars in Iraq, and for the last 12 years in Afghanistan, the A-10 has been operated by all of the components—the Active Duty, Guard, and Reserve—and has been a significant battlefield force multiplier. The A-10 continues to undergo a series of airframe structural changes to ensure viability, has completed precision engagement (integration of data links with a cockpit/avionics suite upgrade), carries advanced targeting pods, and employs the latest in guided weapons. The Air Force will continue to invest in the A-10 for the foreseeable future, while still planning for the F-35 replacement process to fulfill future close air support (CAS) needs. We continue to train A-10 pilots and our budget ensures that the requisite number of A-10s necessary to support Combatant Commander requirements are available. Until we have sufficient numbers of F-35s, the Air Force intends to keep the A-10 viable and combat-ready.

In short, the Air Force is ensuring A-10 availability, reliability, and maintainability with procurement of enhanced wing assemblies, scheduled structural inspections, replacement of aging fuselage longerons, and operational equipment upgrades. Combined, these efforts extend the A-10 service life to 14,000 hours. The A-10 will be kept operationally viable through software suite development that enhances the capabilities of its targeting pods and weapons upgrades. The Air Force is equipping the A-10 with a Helmet Mounted Cueing System to satisfy an Air Force Central Command (AFCENT) urgent operational need. These efforts will ensure our A-10s are kept at a mission ready status and are able to support our forward forces and Combatant Commanders. As the Air Force reallocates aircraft across the Total Force, the A-10 will continue to provide CAS as it has for the last 30 years, regardless of component ownership.

Mr. BARBER. Secretary Hagel, I wanted to ask a question about TRICARE and our beneficiaries in the Philippines. For years, the Department of Defense has said there has been a problem of fraud by providers to TRICARE Management Activity in that country. TMA has implemented a number of policies that has had the result of reducing access to care, yet failing to combat fraud. At this time, TMA is four months into a new demonstration project, and a constituent of mine has kept me well informed on how it is proceeding. Mr. Secretary, I must say I am dismayed to report that the demonstration program has seen many flaws and I am quite concerned that beneficiaries are being limited to a number of providers, for example, one authorized hospital in a city larger than New York City. Many have seen their fees doubled or have had to pay up front for office visits. What is the Department's response to this situation? Can you please provide me a detailed report on the implementation of TMA's demonstration program since January 2013, how much fraud DOD has found in TMA's work with Philippine providers, and how this new demonstration program is combating this fraud? Thank you for your timely consideration to these questions.

Secretary HAGEL. (1) Providers have a choice to participate as approved providers, which may result in an insufficient mix of primary and specialty providers. The TRICARE Management Activity approved specialty waivers in designated demonstration areas for beneficiaries to receive inpatient services at hospitals that are approved providers for outpatient services only. As of May 2013, there are seven institutional providers and 122 professional providers delivering health care in designated demonstration areas for Phase I. Beneficiaries can still seek care from certified providers, professional and institutional, outside designated demonstration areas. TRICARE reimburses health care costs based on the lesser of billed charges or the Philippine fee schedule located online at: <http://www.tricare.mil/CMAC/ProcedurePricing/SearchResults.aspx>.

To participate in the TRICARE Department of Defense Philippine Demonstration Project, providers agreed to bill at the lesser of the billed charges or the Philippine Foreign Fee Schedule. Approved providers have agreed to collect only the appropriate deductible and cost-shares from TRICARE Standard under the Demonstration Project. According to TRICARE policy, beneficiaries who use TRICARE Standard, whether they reside overseas or in the United States may be required to pay their deductible and cost-shares up front when receiving medical services.

(2) In response to your request for a detailed report on the implementation of TMA's demonstration program, I have enclosed a document outlining the Philippine Demonstration Project.

[The document can be found in the Appendix on page 102.]

(3) In 2008, the Department's aggressive action resulted in seventeen individuals convicted of defrauding the TRICARE program of more than \$100 million. The De-

partment's health care antifraud initiatives have resulted in a cost avoidance of approximately \$255 million from 2006 through the end of fiscal year 2011.

(4) To combat fraud under the Demonstration Project, the establishment of an approved provider network allows the Tricare Overseas Program (TOP) contractor to screen out providers under prepayment review because of the providers' historical fraudulent claims activity before they become approved demonstration providers for TRICARE. Approved providers must comply with the on-site verification, certification, and credentialing requirements. The TOP contractor provides one-to-one education to approved providers to ensure the approved providers understand how to submit accurate claims. To date, there have been no identified fraudulent billing activities under the demonstration project.

#### QUESTIONS SUBMITTED BY MR. CARSON

Mr. CARSON. Secretary Hagel, recently over 1,000 National Guard service members from Indiana had their deployments cancelled at the last minute under the auspices cost savings. This sort of off-ramping can be difficult on service members and their families—especially when it comes to employment, housing and higher education. I am interested in hearing more about what goes into these decisions, both generally and in the Indiana case, especially in light of the fact that National Guard units can be less expensive than active units in some cases. Can you describe your considerations and how, under sequestration, the Department justifies making these types of changes?

Secretary HAGEL. The Army made the decision to off-ramp in the case of the Indiana National Guard units to save money. Mobilization of these units was estimated to cost the Army \$88M as opposed to using available active duty units that would not require these additional costs.

The Service decision to alter the Indiana National Guard Units deployment is in accordance with current Department policies. In cases where deployment changes occur, the Services have policies in place to mitigate hardships on individual service members. The diligent efforts of Indiana Army National Guard Leadership and State Organizations, in conjunction with National Guard Bureau, the Department of the Army, and the Office of the Secretary of Defense, mitigated numerous hardship issues. These efforts include the re-missioning of interested Soldiers via the Army's Worldwide Individual Augmentation System, resume preparation courses, available Employment Support of the Guard and Reserve (ESGR) employment mediation services, employment counseling sessions, and a job fair hosted by the Indiana National Guard.

Additionally, off-ramped Indiana Guardsmen were afforded the opportunity to extend their health care coverage through enrollment in Tri-Care Reserve Select health insurance. Finally, the deadline to apply for Free Application for Federal Student Aid (FAFSA) was extended so that all affected Indiana Guardsmen were able to re-enroll in higher education programs.

The Reserve Component remains a full partner in the Total Force and will be employed along the full spectrum of required operations from the strategic reserve for the Nation, and in an operational capacity as an integral part of our operational Total Force as the Department shapes its military forces to implement the new defense strategy and respond to the challenges of a new era.

Mr. CARSON. The President's budget has laid out several steps to protect the industrial base, but as we all know the threat does not just rest on prime and major subcontractors. The threat is most pronounced with our small business suppliers, many of which have a small number of defense contracts and may not survive cutbacks or cancellations. If sequestration continues unimpeded, what is your assessment of its impact on our supplier base? What steps is DOD taking to minimize this impact? And what costs, if any, do you believe we will incur in the wake of sequestration to rebuild our base of small business suppliers?

Secretary HAGEL. The amount of actual dollars obligated to small businesses in FY 2013 is less than previous years at this point in time—and will remain so for the rest of the fiscal year as a consequence of the delayed implementation of sequestration—but our improved achievement as a percentage of total obligations has thus far helped to mitigate the impact to small businesses. Still, the fact remains that reduced spending will result in reduced awards to small and large businesses alike. Small businesses are much less capable of absorbing these cuts than large businesses.

Although sequestration potentially impacts every contract, it will not impact every contract or business equally. The cuts will have a significant impact on service contracts—an area where the competitive advantage gained through aggressive pricing,

lower overhead, and increased innovation has traditionally allowed small businesses to excel.

Additionally, 60 to 70 percent of our contracted defense dollars are typically subcontracted, and many of our subcontractors are small businesses. The Department recognizes that small businesses do not have the capital structures and liquidity necessary to survive severe reductions in revenues, and that they rely on the prime contractors to pay them what they are owed in a timely manner, which could become more difficult during sequestration. For example, the Department has already been forced to suspend our program for making accelerated payments to prime contractors, which was intended to encourage the timely payment of their small business subcontractors. However, we have been working toward improving our monitoring of prime contractors' compliance with their approved small business subcontracting plans and will reemphasize that sequestration has not affected their obligation to provide the maximum practicable opportunity to small businesses.

An additional source of impact on small business due to sequestration is the reduction in critical activities, such as outreach, match-making, and workforce training, that directly influence small business participation and procurement opportunities. Budget constraints have already caused the Office of Small Business Programs to postpone its planned Small Business Training Week, during which our DOD small business professionals have traditionally met in a central location to receive annual training. These direct and indirect factors could combine to cause a disproportionate impact on small businesses.

The DOD Component Acquisition Executives and I closely monitor all aspects of small business performance, including impacts due to sequestration. We have taken several steps to mitigate the impact of sequestration on small businesses, including emphasis on increasing small business participation in specific services portfolios and in procurements under the simplified acquisition threshold. As far as calculating the actual costs of rebuilding our base of small business suppliers, any such estimates would be premature at this time as there is no way to accurately predict how long sequestration will last or the extent to which it will adversely affect the small business community. Primary responsibility for the health of most small business firms in the supply chain rests with our first- and second-tier suppliers, who in turn rely on market forces to ensure that critical suppliers remain in business. The Department has taken an active role in working with private industry through our Sector-by-Sector-Tier-by-Tier Evaluation Program to monitor the health of our overall supply chain.

We will continue to monitor the impact of sequestration closely and, when appropriate, take mitigating actions as quickly as possible.

Mr. CARSON. What is your assessment of our military and diplomatic partnerships with Pakistan? Do you believe that they have improved at all since tensions arose following the raid on Osama bin Laden's compound? And how do you believe our relationship will change when we withdraw the last of our troops from Afghanistan—presumably leaving many Al Qaeda and other enemy combatants in the border regions between Afghanistan and Pakistan?

Secretary HAGEL. The May 2011 raid on Osama bin Laden's compound and its aftermath underscored and accelerated tensions between the United States and Pakistan. The cross-border incident at Salala in November 2011, and Pakistan's subsequent decision to close the Ground Lines of Communication (GLOC) to U.S. and NATO/International Security Assistance Force (ISAF) cargo, marked a low point in the U.S.-Pakistan bilateral relationship.

Since Pakistan re-opened the GLOC in July 2012, the United States and Pakistan returned to previous levels of cooperation, in part by refocusing the bilateral relationship on core counter-terrorism issues and stability and security interests. The Department works closely with Pakistan to rebalance our bilateral defense relationship and refocus it on a narrow set of security objectives.

Pakistan has worked closely with the Department in bilateral defense meetings resulting in both sides endorsing this shift. The United States agreed to pursue a security relationship that prioritizes support for core capabilities: precision strike; air mobility and combat search and rescue; survivability and counter IED; battlefield communications; night vision; border security; and counter-narcotics and maritime security. Security assistance that supports these core capabilities—along with Coalition Support Fund reimbursements for Pakistan's counterterrorism/counterinsurgency operations that support Operation Enduring Freedom—advances U.S. interests by increasing Pakistani capacity to conduct operations against militant and terrorist networks in the Afghanistan/Pakistan border region.

More broadly, these engagements and security and security-related assistance activities occur against a backdrop of increased Pakistani cooperation with the U.S., including the ground lines of communication (GLOC) opening, positive signs of sup-

port for Afghan reconciliation, trilateral border cooperation with Afghanistan, and ongoing counterterrorism operations. I believe that U.S. force reductions in Afghanistan will magnify the importance of Pakistani support for these efforts—underscoring the importance of sustaining our security- and security-related assistance for Pakistan.

Mr. CARSON. General Dempsey, recently over 1,000 National Guard service members from Indiana had their deployments cancelled at the last minute under the auspices cost savings. This sort of off-ramping can be difficult on service members and their families—especially when it comes to employment, housing and higher education. I am interested in hearing more about what goes into these decisions, both generally and in the Indiana case, especially in light of the fact that National Guard units can be less expensive than active units in some cases. Can you describe your considerations and how, under sequestration, the Department justifies making these types of changes?

General DEMPSEY. On 20 March 2013, Headquarters Army published Execution Order (EXORD) 104–13 affecting the programed sourcing solution for support to Multinational Force and Observers (MFO) Sinai and Joint Task Force Horn of Africa (JTF HOA). This order changed the sourced forces from the 76th Infantry Brigade Combat Team, Indiana Army National Guard, to active component Army forces. This change was necessary due to budgetary constraints.

Forces affected consisted of 570 soldiers scheduled to deploy on 16 May 2013 supporting JTF HOA and 459 soldiers scheduled to deploy on 18 July 2013 supporting MFO Sinai.

All those involved in making these decisions understand the difficulties experienced by our Guardsmen and Reservists when scheduled deployments are off-ramped. In this case, the National Guard Bureau, Department of the Army and Army Forces Command diligently worked to publish an amended de-mobilization order on 28 March 2103 moving the planned off-ramp date to 21 April 2013. This adjustment was meant to give our Guardsmen sufficient time to reverse any plans they had made relating to the deployment.

In addressing the larger issue of how these decisions are made, it is true that reserve component forces can cost less than active component forces. The Indiana situation is an example of when this is not the case. Because the Army had uncommitted active component forces that could accomplish the same missions, utilizing a National Guard solution actually becomes an added expense. We would now be paying for maintaining the uncommitted active forces and the mobilized Army National Guard forces.

Mr. CARSON. What is your assessment of our military and diplomatic partnerships with Pakistan? Do you believe that they have improved at all since tensions arose following the raid on Osama bin Laden's compound? And how do you believe our relationship will change when we withdraw the last of our troops from Afghanistan—presumably leaving many Al Qaeda and other enemy combatants in the border regions between Afghanistan and Pakistan?

General DEMPSEY. As stated in my testimony, we are gradually rebuilding our relationship with Pakistan from its low point following the trying events of 2011. While we are unlikely to return to the aspirational strategic partnership we envisioned in 2010, Pakistan has taken a number of positive steps in the past year towards forging a more modest and sustainable relationship, most notably the signing of a tripartite border document with Afghanistan to standardize border operations. As we reduce our footprint in Afghanistan, we need to be mindful of Pakistan's concern that our drawdown will require close coordination with all regional partners to ensure the region remains stable. We must acknowledge that a secure and stable Pakistan is in our national interests and essential to the stability of the region as a whole. The threat from militant groups in the tribal border regions and other volatile areas is unlikely to diminish as ISAF forces withdraw, it is important that our security assistance programs reflect our commitment to support Afghanistan and Pakistan in this fight.

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#### QUESTIONS SUBMITTED BY MR. NUGENT

Mr. NUGENT. General Dempsey, you warned this Congress and the President of the effect sequestration would have on readiness. What would a budget request look like that really did reset all your equipment, procure the replacement assets you require, and reinstate a training schedule that maintains the level of readiness our troops deserve? What can you say to assure me, my wife, and all Blue Star parents, that the Pentagon's budget recommendation will provide our sons and daughters

with all the equipment they need to fight and win wars—and then safely return home?

General DEMPSEY. We do not yet know the cost of fixing the readiness of the force following the sequester cuts to training in this fiscal year; therefore, these costs were not included in the FY 2014 President's Budget (PB14). PB14 does, however, fund initiatives that seek to return to full-spectrum training and preparation for missions beyond current operations in Afghanistan. The Department continues its work to understand and quantify readiness activities as we seek to maximize our preparedness for real-world missions.

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#### QUESTIONS SUBMITTED BY MR. BRIDENSTINE

Mr. BRIDENSTINE. My philosophy is that a strong America results in a safer world and that a weak America invites aggression.

My specific concern is about missile defense. We have seen this administration cut \$6 billion from missile defense over the last 4 years. During the campaign we heard the President tell Russian President Medvedev the following:

This is my last election. After my election I will have more flexibility.

He was talking specifically about our missile defense capabilities. After the election, he has quickly moved to restructure the SM-3 Block 2B missile interceptor program. This would have provided defense against a long-range missile aimed at our East Coast.

Now we see his budget. It includes a \$600 million cut to missile defense. It also includes significant cuts to Israel cooperative missile defense programs.

We have established a pattern of behavior in this administration that favors cutting missile defense. Yet, North Korea is preparing a missile launch and Iran continues to develop missile capabilities. It's surprising that your budget request continues to cut missile defense since weakness is provocative.

Secretary Hagel, is this weakness—the weakness of cutting missile defense in your budget request—part of the President's flexibility?

Secretary HAGEL. Russia was not a factor in the development of U.S. missile defense budget decisions. The United States is committed to continuing to develop and deploy missile defenses that are affordable and effective against projected threats, consistent with the Ballistic Missile Defense Review (BMDR). The President is on record as stating, and I agree, that the United States cannot accept limits on its missile defense systems. The President made clear the need to ensure that U.S. missile defense systems are capable of defeating the growing threat faced from North Korean and Iranian missiles. The budget also fully funds Israeli missile defense programs with \$316 million requested for Israeli missile defense development and procurement programs in FY 14. This includes the Arrow, David's Sling, and Iron Dome systems and represents a 216 percent increase from last year's request.

Mr. BRIDENSTINE. Though you did not account for sequestration in your budget, what is your estimate of the total number of Active Duty, Reserve, and National Guard personnel that will have to be reduced if sequestration continues?

Secretary HAGEL. The Department is currently in the process of conducting a Strategic Choices and Management Review (SCMR), which will examine the choices that underlie defense strategy, posture, and investments, identify the opportunities to more efficiently and effectively structure the department, and develop options to deal with the wide range of future budgetary circumstances. The results of this review are expected to provide the Department with a holistic set of strategic choices to preserve and adapt the defense strategy—to include possible adjustments to military personnel levels—if sequestration is not de-triggered.

Mr. BRIDENSTINE. I am concerned about your request for a BRAC round in 2015 despite the President saying he's opposed to BRAC this past July. From my understanding, last year the Congress required the Department to complete an overseas basing assessment. Shouldn't this assessment be completed and delivered to Congress before we authorize a BRAC?

Secretary HAGEL. An independent assessment of the Department of Defense's overseas basing of military forces, as required by section 347 of the National Defense Authorization Act for Fiscal Year 2012, was completed by the RAND Corporation on December 31, 2012. The Department delivered the assessment and Deputy Secretary of Defense's comments in response to the assessment to the Congressional Defense Committees on April 18, 2013. Generally speaking, it is beneficial to undertake reviews of overseas and domestic infrastructure in tandem, so each can inform the other.

Furthermore, the President did not say that he is opposed to BRAC, but instead expressed a concern that the proposal at the time—a round in 2013—was too soon. The President's Budget requests a round in 2015, consistent with that premise.

Mr. BRIDENSTINE. I am concerned by the \$600 million dollar cut to missile defense, particularly given that North Korea is due to test launch a missile any day now. Iran's ballistic missile development is just as troubling. Given the restructuring to SM-3 Block IIB, what is the plan for defending our homeland from long-range ballistic missile attack from Iran? Shouldn't we be re-investing the \$600 million cut in upgrading our long-range defense systems given what's going on in North Korea?

Secretary HAGEL. Although the SM-3 IIB in Europe was planned to provide a capability against possible Iranian Intercontinental Ballistic Missiles (ICBMs), the SM-3 IIB was not going to be ready until 2022 at the earliest, as a result of Congressional reductions to the program and the effects of the Continuing Resolution. Given the growth of the North Korean ICBM threat and the potential for Iran to develop an ICBM, the Department requires a more responsive solution. Therefore, DOD opted to deploy the 14 additional GBIs in Alaska by Fiscal Year 2017 and to pursue the deployment of a second AN/TPY-2 radar to Japan as the fastest, most cost-effective method of increasing U.S. homeland missile defense.

Other steps are also underway. The Department plans to deploy an additional In-Flight Interceptor Communications System data terminal on the U.S. East Coast and upgrade the Early Warning Radars at Clear, Alaska, and Cape Cod, Massachusetts, by 2017. Additionally, DOD will accelerate the command and control system's development and discrimination software to handle larger numbers of incoming ballistic missiles. These improvements in sensor coverage, command and control, and interceptor reliability will have a significant impact on the expected performance of the GMD system. I am confident that these steps will allow the United States to maintain an advantageous position relative to the Iranian and North Korean ICBM threats.

Mr. BRIDENSTINE. Are you confident the \$130 million requested for the Ground-based Midcourse Defense system is adequate to support additional Ground-based Interceptor (GBI) deployments in Alaska?

Secretary HAGEL. For FY 2014, the Missile Defense Agency requested a total of \$135M in funding for the first year of a three year \$224M Missile Field-1 Refurbishment and Repair Project at Fort Greely, Alaska. The request is based on funding required to construct a mechanical-electrical building, repair existing facilities and upgrade/replace existing system support equipment. Work is planned to be completed on these activities in FY 2016, requiring \$44M in FY 2015, and \$45M in FY-2016.

Mr. BRIDENSTINE. I am concerned about the cut to Israeli cooperative missile defense programs. Please explain this large cut in funding, particularly in terms of Arrow and Short Range Ballistic Missile Defense. Iranian ballistic missile development is going strong. If that's the case, how can you justify such large cuts to our ally at this crucial time?

Secretary HAGEL. The United States continues to work with and support the Israeli Government to ensure it is able to protect its population against ballistic missile and rocket attacks. Accordingly, the President's Budget requests \$220 million for Fiscal Year (FY) 2014 and \$176 million for FY 2015 to fulfill the Administration's commitment to provide a total of \$677 million in procurement funds from FY 2012 through FY 2015 to the Government of Israel to purchase additional Iron Dome short-range rocket defense systems. In addition, the President's Budget requests \$96 million in FY 2014 for research, development, technology, and engineering funding for three U.S.-Israeli cooperative programs: the Arrow Weapon System, the David's Sling Weapon System, and the Arrow-3 Interceptor.

#### QUESTIONS SUBMITTED BY MRS. WALORSKI

Mrs. WALORSKI. General Dempsey, last year 16 Adjutants General requested funding to modernize the aging HMMWV fleet. In response, the Appropriations Committee honored this request and provided \$100M to begin a multi-year effort to field new model HMMWVs in Guard units across the country. \$100M was even included in the DOD Appropriations bill and CR that was recently signed. However, the Army has indicated that they may use the money to recap existing HMMWVs instead. What are your plans relative to this issue, and what priority do you attach to it relative to your modernization programs?

General DEMPSEY. I fully support the Army's plan to use \$100 million to continue the highly successful HMMWV recapitalization program at Red River Army Depot,

while concurrently divesting excess HMMWVs rather than restarting HMMWV production for the Army National Guard (ARNG). Army HMMWV quantities currently on hand exceed both current and projected Light Tactical Vehicles quantity requirements. Given the current fiscal constraints, it is more cost effective to recapitalize existing equipment to meet near term readiness needs and Joint requirements rather than procuring new, unneeded assets.

That said, we face an array of challenges and potential threats in a period of fiscal uncertainty. As such, our modernization efforts remain a top priority for equipping and sustaining a force that is globally responsive to meet the needs of Combatant Commanders and our Joint interagency partners.

Mrs. WALORSKI. I recently visited NSWC Crane and witnessed the unique work they are doing to detect and defeat missile threats. General Dempsey, we are all waiting anxiously for what we understand is an imminent missile launch in North Korea. We don't know if that launch is a missile test or something more significant. My question is, once that missile is launched, given flight times to targets in the region, including Japan, South Korea and U.S. forces in Guam, how much time do our forces have to make a decision to shoot it down? Who has authority to make that decision today? Has a decision been made what we will do if a missile appears to be headed to Japan or Guam? Will you know at launch if it has a nuclear warhead on it?

General DEMPSEY. The timeline for engagement of a North Korean missile targeting U.S. Forces in Guam, South Korea, or Japan, is measured in minutes. Therefore, the Secretary of Defense delegated engagement authority for regional threats to Commander, US Pacific Command and authorized him to further delegate as he deems necessary. Ballistic Missile Defense assets are postured in the region to engage the threat and will execute established procedures if a missile is projected to impact a defended area in Japan, South Korea or Guam. It is unlikely that we will know the type of warhead on a threat when it is launched.

