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THE FISCAL YEAR 2016 BUDGET REQUEST: A VIEW FROM OUTSIDE EXPERTS: ALTERNATIVE BUDGETS AND STRATEGIC CHOICES

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

HEARING HELD
FEBRUARY 11, 2015

U.S. GOVERNMENT PUBLISHING OFFICE
94–093 WASHINGTON : 2015

For sale by the Superintendent of Documents, U.S. Government Publishing Office
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CONTENTS

Page

STATEMENTS PRESENTED BY MEMBERS OF CONGRESS

Smith, Hon. Adam, a Representative from Washington, Ranking Member, Committee on Armed Services 2
Thornberry, Hon. William M. "Mac," a Representative from Texas, Chairman, Committee on Armed Services 1

WITNESSES

Bensahel, Dr. Nora, Distinguished Scholar in Residence, School of International Service, American University 6
Crotty, Ryan, Fellow and Deputy Director for Defense Budget Analysis, International Security Program, Center for Strategic and International Studies 7
Donnelly, Thomas, Resident Fellow and Co-Director of the Marilyn Ware Center for Security Studies, American Enterprise Institute 10
Harrison, Todd, Senior Fellow, Defense Budget Studies, Center for Strategic and Budgetary Assessments 4
Thomas, Jim, Vice President and Director of Studies, Center for Strategic and Budgetary Assessments 9

APPENDIX

PREPARED STATEMENTS:
Bensahel, Dr. Nora 55
Crotty, Ryan 67
Donnelly, Thomas 90
Harrison, Todd 49
Thomas, Jim 79

DOCUMENTS SUBMITTED FOR THE RECORD:
[There were no Documents submitted.]

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING:
[There were no Questions submitted during the hearing.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING:
[There were no Questions submitted post hearing.]

THE FISCAL YEAR 2016 BUDGET REQUEST: A VIEW FROM OUTSIDE EXPERTS: ALTERNATIVE BUDGETS AND STRATEGIC CHOICES

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, February 11, 2015.

The committee met, pursuant to call, at 10:03 a.m., in room 2118, Rayburn House Office Building, Hon. William M. "Mac" Thornberry (chairman of the committee) presiding.

OPENING STATEMENT OF HON. WILLIAM M. "MAC" THORNBERRY, A REPRESENTATIVE FROM TEXAS, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Committee will come to order.

Our hearing today should help clarify some of the hard choices we face for our country's security with the coming budget cycle. We live in a time when fiscal problems and mounting debt coincide with unprecedented national security challenges in a volatile world.

Since the end of the Second World War, the U.S. has enjoyed the freedom to act in our national interest anywhere on earth. Few nations in history have been so privileged and few nations have thrived so well.

But all of us should recognize that, depending on the choices we make, we may be in the sunset of that era. The National Defense Panel cautioned that since World War II, no matter which parties control the White House and Congress, America's global military capacity and commitment have been the strategic foundation undergirding our global leadership. The way we resource the Department of Defense [DOD] forms that strategic foundation of our global leadership.

Today, experts from some of the leading think tanks in Washington will present their views on the budget choices facing us. All of them, I think, provide valuable insight into some of the threats and choices and different futures which this committee has been looking about.

All are here to present the difficult options before us, and some of those difficult options range from the loss of important manpower and equipment to military bases to discarding strategic responsibilities.

Dr. Kissinger said in the Senate testimony earlier this month that the United States has not faced a more diverse and complex array of crises since the end of the Second World War. Our task is to manage a difficult combination of external and internal pressures on our defenses and be true to the heritage which we have enjoyed.

I would yield at this point to the distinguished ranking member, Mr. Smith, for any comments he would like to make.

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

Mr. SMITH. Thank you, Mr. Chairman. I think you have succinctly described the challenge that we face. We have an increasingly dangerous world, with national security threats emerging in many different areas, from Russia to the Middle East and North Africa, obviously the ongoing struggle against ISIL [Islamic State of Iraq and the Levant] in Syria and Iraq.

It is a dangerous world. It is, you know, not—just because we have fewer troops deployed now that we are out of Iraq and significantly drawn down in Afghanistan, you know, there is no such thing as a peace dividend at this point. We are in the exact opposite position, facing an array of complex threats that are going to require, you know, both resources and considerable creativity to figure out how best to confront.

At the same time, we are in a budget crisis. And if you went back 4 years and looked at the Department of Defense's projections, their FYDP [Future Years Defense Program], the 5-year plan and then their 10-year plan, for what they expected they were going to have to spend and what they have now, it is substantially less, in large part because of the Budget Control Act, but also because of, you know, government shutdowns and CRs [continuing resolutions], and basically the significant budget dispute here on Capitol Hill.

So more complex, challenging problems, less resources. That is the challenge that we face.

And we will be very interested to hear from you all about how best you think we should confront that, because, you know, it is at times like that when you really need to get smart. It is the famous quote, I think it was from Winston Churchill—I will attribute it to him anyway—it is, "Gentlemen, we are out of money; now we have to think," and try to figure out how best to use that money.

I will say just two final things about that. First of all, we could help ourselves enormously if we got rid of sequestration. I think there is a budget fight still to be had, and the deficit is down significantly but it is still substantial. The debt is still substantial.

We need to figure out a solution to that, to get a 10-year plan going forward for the budget. But sequestration is just a horrible place to do that.

And it is interesting to note that when sequestration was passed, when the Budget Control Act was passed in 2011, the goals that it set, it basically said that you had to achieve $1.5 trillion in deficit savings over the course of the next 10 years—you have to come up with a plan for achieving that by the end of 2011. We didn't, so sequestration became law.

We have, however, achieved far more than the amount of savings that was called for in the Budget Control Act. But yet, we are still stuck with sequestration.

Our number one is get rid of sequestration. But number two is, if we are going to have to live with it, and even if we get rid of

sequestration, we still are going to have less money than they thought we were going to have.

We are going to have to start making some choices about programs, about personnel, about Guard and Reserve, about a whole array of things within the defense budget. And unfortunately, the default position to most Members of Congress is to protect their own. You know, if you are thinking about shutting down a weapons system, well, if it is made in my district or located in my district then I am going to be against it.

We are running up against the Guard and Reserve problem. Nobody wants to reduce anything in terms of personnel costs because of the political implications.

But if we have got the budget we have got, we have to make some kind of choice. And I would submit that, for those of us who serve on this committee, it is not our primary job to protect everything in our own districts. It is our primary job to protect the country.

I will give you a personal example. When I represented Joint Base Lewis-McChord, they have a ROTC [Reserve Officers' Training Corps] program out there—college students who come out, like 3,000 in the summer, and, you know, it is some business. And they wanted to move it to Kentucky, they being the Department of the Army.

And, you know, the local people freaked out and everybody wanted us to, you know, stop this, and they came to me and said, "This must be stopped."

And I was like, "Yes, if DOD thinks this is the best thing to do then we will be okay at Lewis-McChord. There are other things to do, and let's not get in the way of everything that the, you know, Department of Defense wants to do for parochial reasons, because if we do that we paralyze their ability to make smart choices and adequately provide for the national defense."

And I know many past chairmen have been fond of quoting the thing that is apparently down there on the front of our committee, Article 1, Section 8. Article 1, Section 8 doesn't say, "Make sure that as much defense money as is humanly possible comes into your district." That is not what it says.

And in times like this I think we need to be a little bit wiser about how we make those choices.

So, look forward to hearing from you what you think those choices ought to be, and if we don't like what the Pentagon is offering, what are the alternative suggestions.

So with that, I yield back. Look forward to testimony.

The CHAIRMAN. I thank the gentleman.

Let me welcome each of the witnesses.

We start with Mr. Todd Harrison, with the Center for Strategic and Budgetary Assessments [CSBA], who, I understand Mr. Harrison is the one who ran the exercise that all of the organizations participated in.

Then Dr. Nora Bensahel, who is currently a distinguished scholar at American University, but was with the Center for New American Security [CNAS] when this exercise took place.

Mr. Ryan Crotty, with the Center for Strategic and International Studies, CSIS; Mr. Jim Thomas, with Center for Strategic and

Budgetary Assessments; and finally, Mr. Thomas Donnelly, with American Enterprise Institute [AEI], who used to be a staff member of this committee and was the last one to get his testimony in, I noticed, which may be a connection, I am not—I don't know.

But we really do appreciate each of you not only being here, but for putting the time, effort, and resources into analyzing these different budget options that are before us.

And so with that, Mr. Harrison—and without objection, your full written statements of all of you will be made part of the record.

And, Mr. Harrison, you may proceed.

STATEMENT OF TODD HARRISON, SENIOR FELLOW, DEFENSE BUDGET STUDIES, CENTER FOR STRATEGIC AND BUDGETARY ASSESSMENTS

Mr. HARRISON. Chairman Thornberry, Ranking Member Smith, members of the committee, I want to begin by thanking you for the opportunity to testify today.

Approximately one year ago, CSBA convened a group of scholars from four think tanks, represented here today on this panel, and asked them to develop alternative approaches to rebalance DOD's budget and capabilities in light of projected security challenges and fiscal constraints. I should note that the views and choices expressed through this exercise represent those of the people who participated and should not be construed as the institutional positions of their organizations.

The purpose of our exercise was to foster a greater appreciation for the difficult strategic choices imposed by the Budget Control Act of 2011 [BCA]. The ground rules were that each team could vary its defense strategy as it saw fit, using the 2012 Defense Strategic Guidance as a starting point. The teams used their own expertise to assess the future security environment and associated risk, and they were free to modify and reprioritize roles and missions for the military accordingly.

The teams then used an online tool created by CSBA to implement their strategy and capability choices. CSBA's Strategic Choices Tool allows users to quickly add and cut items from the current program of record using more than 800 pre-costed options. The tool allows the users to see the resulting budget and force structure impacts in real time.

The tool, I should note, does not assess risk or make judgments as to the sufficiency or wisdom of one's choices. Such subjective assessments are better left to the experts here.

We also limited the degree of choices available to the teams to impose some political reality. For example, we limited how quickly they could cut end strength in each of the services. We also did not give the teams the ability to count savings from additional efficiencies or compensation reform beyond what was already included in the President's budget request.

And we did this for two reasons. First, the purpose of the exercise was to focus on the major strategic choices facing DOD, and while we all agree the Department should always do more to pursue efficiencies, efficiencies do not typically rise to the level of a major strategic choice.

Second, the President's fiscal year 2014 budget request, which served as the baseline for all adds and cuts in this exercise, already assumed well over $200 billion in efficiency savings and compensation reform. Since this was already built into the baseline, the teams already had the benefit of these savings and it would not be realistic to allow the teams to assume even more savings on top of these. And it also made the job harder for all of these guys.

Each of the teams was asked to rebalance the DOD budget over 10 years, spanning fiscal year 2015 to 2024, under two different sets of budget constraints. The first set of constraints used the BCA budget caps currently in effect, and the second set used a slightly higher level of funding, roughly consistent with the President's fiscal year 2015 request.

Allowing the teams to vary their strategies and using two sets of budget constraints for each team allowed us to discern which choices were budget-driven and which were strategy-driven.

For example, each of the teams made different choices with respect to the Marine Corps force structure, which suggests that these choices were dependent on the teams' strategies. In other instances, such as the decision to retire Active Component A–10s, all of the teams made the same choice, which suggests this decision may be independent of strategy.

We also look for instances when individual teams made different choices under the two levels of budget constraints. For example, all of the teams made cuts to readiness funding under the full BCA budget constraints; but when the budget constraints were loosened, they changed their readiness cuts. This suggests that cuts to readiness funding were budget-driven.

Conversely, we found that each team made roughly the same cuts to personnel levels, particularly civilian and support contractors, in the two budget scenarios, which suggests that these personnel cuts were not budget-driven.

Despite the budget constraints imposed, all of the teams chose to make substantial investments in new capabilities, even though these new investments required them to make larger offsetting cuts in other areas. All of the teams, for example, increased spending on space, cyber, and communications capabilities. This suggests that the teams felt DOD's plans did not adequately address the challenges the military is likely to face in this area.

Much has changed in the security environment since this exercise was conducted a year ago, but the long-term fiscal constraints of the Budget Control Act remain the same. What our exercise helps illuminate, and what my colleagues will speak to in their testimony, are the core capabilities the military must protect and, in some cases, increase investments in, regardless of the budgetary constraints imposed.

Thank you.

[The prepared statement of Mr. Harrison can be found in the Appendix on page 49.]

The CHAIRMAN. Thank you.

Dr. Bensahel.

STATEMENT OF DR. NORA BENSAHEL, DISTINGUISHED SCHOLAR IN RESIDENCE, SCHOOL OF INTERNATIONAL SERVICE, AMERICAN UNIVERSITY

Dr. BENSAHEL. Chairman Thornberry, Ranking Member Smith, and distinguished members of the committee, thank you for inviting me to testify in front of you today.

I participated in this exercise when I was employed at the Center for a New American Security as the co-director of the Responsible Defense Program. My co-director, retired Lieutenant General Dave Barno, and I formed the CNAS team.

In the interest of time, let me quickly note the three most important conclusions we took away from our participation in the exercise.

First, DOD is not investing in the right things for the future. As Todd mentioned, this exercise was not a budget-cutting drill; it truly was about making strategic choices.

All four teams decided to rebalance the defense budget by reducing spending on many current priorities and reinvesting the newly freed funds into other parts of the defense budget. For example, our team cut the planned defense budget over the 10-year period covered by the exercise by a total of $716 billion, far more than was required to meet the spending caps, but added back $384 billion in new spending in the full Budget Control Act scenario and added $509 billion back in the half sequestration scenario.

This suggests that the planned DOD budget is overinvested in some key areas and underinvested in others.

Second, it was virtually impossible to meet the budget caps under the Budget Control Act without cutting civilian and military personnel, readiness, or both. Personnel and readiness simply consume so much of the defense budget that we were unable to stay within the budget caps by cutting procurement, force structure, armaments, and logistics alone. People and force readiness had to be sacrificed in order to stay within those caps.

We chose first to cut the number of civilians employed by the Department of Defense and the military services by one-third, which was the maximum we were allowed to do under the exercise. Between 2001 and 2012, the number of DOD civilians grew five times faster than the number of Active Duty military personnel. In our view, military combat forces, the sharp end of DOD's spear, needed to be preserved even at the cost of deeply slashing civilian staff and overhead.

Yet even so, we were also driven to reduce the Active Duty and Reserve end strength of all four military services. We cut Active Duty end strength by a total of 127,000 personnel, with most of those cuts coming from the Active Army.

And even yet, we still had to cut readiness in order to meet the budgeting cap, even though we strongly resisted doing so because readiness is expensive. We believe that the United States has a responsibility to prepare its military forces as thoroughly as possible for the missions that they are asked to conduct, and sending untrained or inadequately prepared forces into combat is dangerous and irresponsible. Yet, we had to make the same difficult choice that the services have made in recent years to cut those readiness funds.

Third and finally, defense reform is essential to free resources for current and future capabilities—again, to invest as much money as possible in the pointy end of the spear.

There are three key elements of a reform agenda that stood out to us on our team. First, DOD must shed unneeded overhead, civilians, and contractors for the reasons I mentioned above.

Second, another BRAC [Base Closure and Realignment] round is needed. Reducing excess infrastructure would have been one of our highest priorities if the tool had allowed us to do so. The Army and the Air Force have each estimated that they have around 20 percent excess capacity. It is unconscionable to require these services to continue spending money on facilities that they do not need while the budget caps require them to cut end strength, training, and readiness, which puts American troops at risk.

Third and finally, military compensation must be reformed. This is a hard but necessary choice, because pay and benefits and health care are eating an ever-larger share of the defense budget.

The recent Military Compensation and Retirement Commission report offers good recommendations on how to do so while grandfathering all currently serving members of the military. The commission has estimated that its proposals would save $15 billion a year.

That amount is certainly not enough to compensate for the cuts required by the Budget Control Act, but if we had been able to include around that level of savings in the exercise, for example, which did not include an option for compensation reform, we would have had to cut far fewer people and maintain more readiness.

Thank you very much.

[The prepared statement of Dr. Bensahel can be found in the Appendix on page 55.]

The CHAIRMAN. Thank you.

Mr. Crotty.

STATEMENT OF RYAN CROTTY, FELLOW AND DEPUTY DIRECTOR FOR DEFENSE BUDGET ANALYSIS, INTERNATIONAL SECURITY PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. CROTTY. Chairman Thornberry, Ranking Member Smith, and distinguished members of the committee, thank you for the opportunity to appear before you this morning.

The strategy and budget exercise that we are referencing here today occurred almost exactly a year ago, and yet the year—the world really already looks significantly different than it did then. The volatile and complex security environment already strains many of the choices that we made in this exercise, which I think speaks directly to the challenge of sequester-level budget, which is a loss of flexibility and a limiting of options.

The U.S. security goals have not been reduced since the 2012 Defense Strategic Guidance, and yet, $120 billion has been cut from that concurrent budget over the 3 years since. The impact of these cuts is already in evidence, as the service chiefs have already testified. And with the force as currently constituted, continued sequester-level funding would shift the impacts the force is currently ex-

periencing in readiness, trimmed programs, cut training, from just holding patterns to entrenched problems.

So far during these budget cuts we have asked the military to do more with less, and they have risen to that challenge. But that is not sustainable over the long term.

In participating in this exercise it was clear that sequestration forces you into decisions that you would not make otherwise.

The CSIS team worked to tailor our cuts to the strategic priorities that we derived from the 2012 Defense Strategic Guidance: prioritizing homeland defense; Asia-Pacific engagement, presence, and reassurance; and retaining counterterrorism capabilities. We took as a guiding principle that a smaller, ready force was preferable to one that maintained force structure or added more new programs but is less prepared to face the complex challenges we already face today.

There was no way to implement the strategy without risk, and we took our primary risks in the size of Active ground forces. We hedged this risk with increases to the Guard and Reserve, sought to facilitate reconstitution of a larger ground force by having additional noncommissioned officers, junior grade field officers, retained; better coordination of training between Active and Reserve, and shifting of some roles and missions into the Reserve Component.

We also cut the carrier force, but forward-stationed one in the Pacific to maximize coverage. And we invested in smaller, unconventional capabilities, including cheaper forward presence; more intelligence, surveillance, and reconnaissance; and special operations forces.

Under the sequester-level budget, the U.S. military will remain the preeminent military in the world. However, we have seen a shrinking of the breathing space that we have between the capacity that the force has and the daily demand on those forces. This limits the Pentagon's ability to react and adapt to new challenges and take on the shaping and reassuring activities that can help deter a future conflict.

The Pentagon is being forced to choose between the fights today and the fight tomorrow. The reality is that today's security challenges require capabilities for the full spectrum of operations.

The 2016 budget process will be a critical one for national security. We are reaching a turning point where the temporary impacts of sequester-level budgets are going to more permanently shape the force that we have going forward.

So hopefully today's testimonies will help the committee better understand what a force looks like under those budget constraints and inform the budget tradeoffs that will have to be debated over the coming months.

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

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

The CHAIRMAN. Thank you.

Mr. Thomas.

STATEMENT OF JIM THOMAS, VICE PRESIDENT AND DIRECTOR OF STUDIES, CENTER FOR STRATEGIC AND BUDGETARY ASSESSMENTS

Mr. THOMAS. Mr. Chairman, Ranking Member Smith, and members of the committee, thank you very much for holding this hearing today, and also for inviting all of us to testify. I will provide a brief overview of CSBA's approach during last year's strategic choices exercise.

We started, as well, with an assessment of the external security environment and its implications for the types of forces and capabilities we will need in the future. This assessment, in essence, served as our filter or our lens for determining our priorities as well as where we would take risk regardless of spending levels.

As challenging as the prospect of continued spending caps are for national defense, we face an even more worsening set of challenges overseas: revisionist states like Russia, China, and Iran; Islamist militant groups like ISIL; new nuclear powers, all of whom are exploiting a host of new technologies that confer the means to impede America's ability to project power and meet its security commitments in the ways it traditionally has done so.

The bottom line for us, as we assessed these challenges, was that the future was going to present far tougher challenges for our military than the post-Cold War era that we are exiting. In particular, future operating environments will be far more contested as adversaries exploit anti-access and area denial [A2/AD] capabilities to devalue our traditional means of power projection and achieving forward presence.

Thus, we saw an imperative to reshape DOD's portfolio of forces and capabilities around three main objectives. First, we sought to reshape the U.S. military to put more weight on deterrence through the prospect of swift punishment and more effective denial of our enemy's objectives in the first instance, and at the same time, relatively less weight on traditional compellence forces—that is, forces that we need to serve eviction notices when our allies or friends abroad might be invaded and we have to conduct a counter-invasion.

Second, consistent with this first objective, we sought to maximize combat strike power and prioritize the most viable options for projecting power and holding potential adversaries at risk anywhere and anytime. We maintained the nuclear triad.

We placed a premium on conventional global surveillance and strike forces, including submarines and low-signature, long-range land- and sea-based surveillance and strike aircraft, and made substantial increases in our stock of precision-guided munitions. We sought to develop new ground-based strike systems.

We prioritized unconventional power projection capabilities, as well, including special operations forces and cyber and electronic warfare capabilities. And we invested in potential game-changers, like directed energy, electromagnetic railgun, and high-power microwave weapons.

Second, we sought to judo through the A2/AD problem by fielding our own air and sea denial forces and helping frontline allies to do the same. So we built up stock of sea mines, acquired new tor-

pedoes, and developed new maritime sensor arrays to detect enemy intruders in friendly maritime space.

We pursued new air and missile defense systems, like the Air-Launched Hit-to-Kill missile. And we made substantial investments in decoys, deception measures, aircraft shelters, rapid runway repair kits to improve the resilience of our forward-based forces.

And lastly, we expanded our combat logistics fleet to maintain robust naval strike power in distant theaters.

Making these investments would be difficult in any circumstances, but the BCA caps made the shift even more difficult. We took risks in traditional forces less suited for operations in contested environments, including those most dependent on close-in bases and those that have to mass in order to be effective. This meant significant reductions in legacy short-range combat aircraft and ground force capability.

We also had to make very deep cuts in civilians and contractors. And with greatest reluctance, we were also unable to avoid making cuts in near-term readiness funding and had the most regret over this choice.

In closing, I urge Congress to develop a serious budget proposal that properly funds defense while reshaping the U.S. military for tomorrow's challenges.

Thank you.

[The prepared statement of Mr. Thomas can be found in the Appendix on page 79.]

The CHAIRMAN. Thank you.

Mr. Donnelly.

STATEMENT OF THOMAS DONNELLY, RESIDENT FELLOW AND CO–DIRECTOR OF THE MARILYN WARE CENTER FOR SECURITY STUDIES, AMERICAN ENTERPRISE INSTITUTE

Mr. DONNELLY. Thank you, Mr. Chairman.

Thank you, Mr. Smith.

It is an honor for a former staff member to return to the People's House and to be on this side of the witness table for a change, so thank you very much for the invitation. I will try to be brief.

I think it is important, though, to say that we tried—this was a second run through this game for us, and we did not want to repeat the lugubrious experience we had the first time. To be constrained by the BCA budget levels or even the modified levels that we used the second time around was, we felt, simply to rearrange the deck chairs on the Titanic, that there was no space for strategy when the budget choices were so constrained.

And I think Todd's observation that there was a whole lot of commonality—another way to say that is there wasn't a dime's worth of difference—between the BCA-constrained programs that the four of us came up with is an important takeaway from the exercise. At this level of budget, there really isn't much chance for a strategy to operate.

Secondly, we also felt that we had to reject the President's 2012 defense guidance because it would not, in our judgment, achieve the national security goals that this country has always strived to achieve and, most recently, annunciated in the National Defense

Panel. So we thought it was necessary to return to a more traditional military strategy, because what we wanted to do was to find out how far we had fallen into the hole that we have built for ourselves over the past decade and what it would cost to get back out of that hole.

That is the approach with which we approached this game. And so, very kindly, Todd and his crew allowed us to play a budget-unconstrained version, which we used to try to put a price tag on what we thought it would take to return to a more traditional military posture on the part of the United States.

And again, I won't go through that in detail. I would be happy to respond to that in the question and answer session. But I would say that we also refuse to sort of rule out unpleasant forms of warfare—counterinsurgency and the like—in unpopular theaters of war, such as the Middle East.

So we wanted to stick with a strategy that was consistent with the long past and not invent a new America that divested itself of traditional security interests. Rather, we wanted to put a price tag on attempting to return to a more traditional defense posture and to exercise a more traditional strategy—one consistent with the strategies that have been consistent from administration to administration, from changes of party really since the end of World War II, but particularly since the end of the Cold War.

As my colleagues have observed, it has been a year since we ran the game and the world looks a little bit more dangerous today than it did a year ago. We didn't fully understand how firm a grip ISIS would have on western Iraq and eastern Syria, or how serious the Russians were going to be about holding on and expanding their grip on Eastern Europe either.

So if we were playing the game today, we would take the same approach—and that would be not to worry so much about the 20-year future, but to try now to rebuild—to get to the point where the investments that I think some of my colleagues were more interested in could have a decisive effect.

We really felt that the critical time was now and that our shortfalls in capacity and readiness were more strategically important than shortfalls in capability. So we wanted to try to repair what is not broken in order to survive, to live again, to fight another day.

Just to give you a sense of what that meant to us, a couple of things: First of all, we didn't just simply throw money at everything. First of all, we understand that the rebuilding of the force and taking advantage and rebuilding the industry and the infrastructure that would sustain that force has to be cognizant of the fact that these are institutions that have been on a starvation diet for some time now and overworked.

We have built a plant, for example, that is capable of producing maybe 300 F–35s a year, but so far we have only been producing about 30 a year. So while the plant is there, the workforce isn't there.

So when we were reinvesting, we tried to be cognizant of how much money the Department could intelligently digest over the 10-year period that we were talking about. So we didn't think that just flipping the money switch was going to be an adequate solution.

Nonetheless, over 10 years we calculated that the difference between the BCA levels of spending and what we thought might begin to reduce things to a manageable level of risk was $780 billion. That is a lot of money.

By the same token, we were surprised to understand that not even that level of further investment would restore the program to what it was prior to the BCA. Let me repeat that. In other words, we couldn't get back to where we were, in terms of what the defense program was in 2011, 10 years from now even if we added almost $800 billion to the defense program.

So that is a measure of how deep the hole is that we have dug for ourselves.

Final metric: That level of spending—the budgets that we imagined at the end of this reinvestment period would still be less than 4 percent of projected GDP [gross domestic product]. And to the degree that the 4 percent of GDP figure means anything other than a level of affordability, it means that even this kind of reinvestment would still be below what reasonable people imagine would be a sustainable level of defense burden for the economy and our society.

So the big takeaway for me was, in order for us to restore a traditional form of American leadership it is going to cost a lot of money. It would still be affordable, but we can't get there from here.

Thank you.

[The prepared statement of Mr. Donnelly can be found in the Appendix on page 90.]

The CHAIRMAN. That wasn't very cheerful.

So in essence, four of the leading institutions in town formed teams to look at how you would reprioritize the defense budget. And as each of you, I think, has acknowledged, a fair number of things have happened in the last 12 months—Crimea and Ukraine, ISIS, these negotiations with Iran, North Korea says it is testing various systems, the Chinese in waters close in the Western Pacific are more aggressive.

My one question I would ask for each of the four teams is, hold yourself accountable. Knowing what you know now has happened over the last year, where did you mess up? What would you do—what would be the one or two areas you would do differently now than you did then based on these events that have happened over the last year?

So, Dr. Bensahel, would you like to start?

Dr. BENSAHEL. Sure. An easy question.

The CHAIRMAN. Sorry.

Dr. BENSAHEL. I think the guiding principles that we used during the exercise where the fundamental question is where do you assign risk, right, because all of strategy is about assigning risk. We made a calculation to assign more risk in the short to medium term than in the longer term because of some of the challenges, as Jim mentioned, because we saw some very significant threats coming out on the horizon.

And therefore, we prioritized investments in advanced military capabilities and research and development because of the long lead times those involve.

I don't think we would have made very many fundamentally different choices, given what we know now about what has happened over the past year. The one area where I think we might have made a different choice is we might not have cut Active Duty Army end strength by quite as much as we did.

In the exercise we cut it down from the planned level of 490,000 to 420,000. I think we would maybe have made a different choice to cut that only as far as about 450,000 to hedge against some of those threats.

But we still would be changing the balance of the force between the Active and Reserve, even in the Army, and still trying to preserve as much money as we could for those long-term investments, given our strategic principles that we used to guide the exercise.

The CHAIRMAN. Okay. Thank you.

Mr. Crotty.

Mr. CROTTY. So we actually tried to focus a little more on the near term, and that was something that was borne out, and yet still, I think we were underinvested in the kinds of reassurance and low-end deterrence that actually has been shown as something that we desperately need, whether it is in Europe or in Asia.

And I think that that is something that can only be done with more capacity. You need more people out there engaging with partner and allies, having the flag, being available, being close by, because I think that really provides a reassurance that is required, especially at the lower end.

You know, we are very good at deterring at the high end, and it is something that we will have to continue to invest in to maintain that. But that has changed the level of the conflict discourse, and that has not looked very good over the past year.

So for us, so even having focused more on that near term, I agree with Nora, it was primarily in some of those personnel cuts that we made. We cut the Marines and I think we now definitely regret that, particularly with their sort of more unique capabilities as well as the requirements that are being put on them and sort of the new normal environment. You know, there is a lot that we need from them.

But also, I think—we did not say this specifically, but I think that based on the 2012 defense review guidance, we would have been pulling some of those Army units that we cut out of Europe, and that immediately comes to mind as something that might have been a dangerous decision.

So as you said, I think it immediately tells you that there are significant choices that can change in just the course of a year, how those will impact your future security.

The CHAIRMAN. Thank you.

Mr. Thomas.

Mr. THOMAS. One of the things that really strikes me, Mr. Chairman, as we look back over the past year has been this growing trend in sub-conventional, creeping aggression, whether it is little green men in Ukraine, or it is fishermen and the use of paramilitary coast guards in the South China Sea or the East China Sea, the use of the Quds force in the Middle East. This looks like it is a growing trend.

And I don't think it is a question of, do we deal with anti-access and area denial threats or we deal with creeping aggression. What I see is really the confluence of the two, is that anti-access and area denial capabilities are providing umbrellas that make it easier for revisionist states to conduct creeping aggression activities in their immediate regions.

Fundamentally, this is about the weakness of frontline states. As we look around the periphery of Eurasia, from East Asia to our friends and allies in the Middle East, to Europe and countries in the Baltics and elsewhere, how do we strengthen their capabilities and ability especially to deter sub-conventional threats?

I think this—we need to place more emphasis on foreign security assistance, and in particular, think if there are ways that we can further expand or strengthen our unconventional warfare capabilities for countering some of these threats. So I think special operations have an incredibly important role to play, and that would be one of the things I would want to look at again.

ISR [intelligence, surveillance, and reconnaissance] is another. I think what we are seeing on the global basis is inadequate ISR capacity to deal with multiple crises simultaneously.

And the last is we, as I mentioned earlier, we already have regrets about readiness, and that cuts in readiness under BCA caps are deleterious to our ability to deal with all of these situations.

Thank you.

The CHAIRMAN. If I could interject for just a second, just to remind members that tomorrow we have an informal roundtable on exactly this topic. What would you call it? Creeping aggression.

Unconventional, hybrid warfare—lots of names. But we need to understand this better and see whether we have a—whether we are able to deal with it. And we have outstanding folks to come and visit with us about it tomorrow.

Mr. Donnelly, you kind of answered this, but I don't know if you have some additional comments?

Mr. DONNELLY. I have no regrets, Mr. Chairman. I think the events of the last year really underscore our fundamental approach, that the near-term crisis is so immediate and, taken in the aggregate, it is a global crisis. There is no theater, there is no domain of warfare, in which American strength isn't being seriously called into question.

So again, it really sort of underscores two things to me: that the crisis is now; and that the fundamental strategy that was defined in 2012, however wise it may have seemed then, is not responsive to current conditions.

The CHAIRMAN. Thank you.

Mr. Smith.

Mr. SMITH. I guess the big question is where do we save money, and a couple of you mentioned a few things, but if we could just really emphasize again, you know, there is a laundry list of things that the Pentagon has put out there—BRAC, personnel cost savings, getting rid of the A–10, laying up various Marine and Navy ships. Give me your three best ideas for saving money that, you know, fit within the national security challenge that we have.

Mr. HARRISON. Sir, I would start by noting some of the things that we took off the table are probably the place we should actually

start—compensation reform. We did allow base closures in the exercise, but we made it realistic. Base closures cost you a little money up front and then save you money in the long run.

Every single team here chose to do base closures under both budget scenarios, so I think that that is an important takeaway from this exercise.

But ultimately, you know, having run two of these exercises with this group of think tanks and dozens of exercises with other groups, the common trend that I have found is that in almost every single case, every team, the largest amount of savings dollar-wise comes from personnel—military personnel, Active and Reserve Component, and civilian personnel that work for the DOD.

Mr. SMITH. And specifically on those personnel savings, there are a bunch of different areas. There is health care, there is compensation, there is pensions, and then there is a variety of different benefits—housing, commissaries. You know, what makes the most sense and where do you get to the point where you fear that you are risking the All-Volunteer Force, the willingness of people to sign up?

Mr. HARRISON. In the exercises it all came from cutting head counts. But I will say in my own opinion, having, you know, studied and written about this issue, I think what the compensation commission came out with in their final report at the end of last month—I think that they have got a sound approach there.

It certainly, you know, could use some tweaks and improvement by Congress, but their two main recommendations that affect the DOD budget are to alter the current retirement plan to add a 401(k)-like plan that would benefit, you know, 75 percent of people who leave without any retirement savings while maintaining the defined benefit plan for people who serve a full career and retire.

Mr. SMITH. How does that save money?

Mr. HARRISON. Well, so the commission's plan, using their own numbers, once fully implemented it would save about $2 billion a year, which is not a lot from that one change, but it basically saves money by DOD not having to set aside as much in an accrual payment each year to the Military Retirement Trust Fund, and taking some of those savings and reinvesting in a defined contribution plan, like a 401(k), but banking the rest of the savings.

The other main recommendation of the commission that saved more money was a change to the health care system, and allowing, you know, Active Duty dependents, reservists, and retirees to do something they were calling TRICARE Choice, where you would get a basic allowance for health care for Active Duty dependents, for example, and they could buy into commercial health insurance plans instead of remaining on the military health care system. That change, when fully implemented, according to their own estimates, would save a little over $6 billion—almost $7 billion a year once it was fully implemented.

Just those two changes alone in the Military Compensation Commission report would save about $33 billion in aggregate over the next 5 years, and more than that in every 5-year period that comes after it. Thirty-three billion dollars is a good amount of money. It does not get you all the way where you have to be in terms of the Budget Control Act, but it certainly would help.

Mr. SMITH. Just one quick question, and anyone can take this: weapons systems. Give me a reasonably expensive weapons system that you think we don't need, that we could live with 8 carriers instead of 11, we don't need the new *Ohio*-class submarine, you know, we can buy half as many F–35s, we, you know—give me a major—because I think by some estimates, the weapons systems that we are planning on building right now we can't afford, barring for some unforeseen acquisition reform miracle.

So something has got to go. What would you say should go?

Dr. BENSAHEL. I think that is exactly the right question to ask, and the obvious answer to us when we ran through this exercise is the F–35. That is the procurement program that is eating the entire defense budget alive—particularly the Air Force budget, but its costs are so high that it is crowding out everything else in the procurement area, as well.

Mr. SMITH. So it is possible to consider basically eating at this point close to 20 years' worth of expenditures on the F–35, and then simply relying on—I get my generations mixed up here—third or fourth generation fighter planes?

Dr. BENSAHEL. No, we didn't recommend canceling the program. F–35s are needed by the Air Force in the future. But in particular, the Air Force doesn't need as many of them as it says it needs.

The number that the Air Force originally came up with of 1,746 F–35s was derived by doing a one-for-one replacement with the current fighter fleet. And so if the F–35 is supposed to have and it does have all these additional capabilities, it is not clear to me why the one-to-one number is the right force structure for the Air Force, for example.

Again, because of the constraints of the exercise, on our team we did also cut some Navy ships. We cut cruisers, we cut a couple of destroyers, and we did cut an aircraft carrier, although again, a lot of that was budget-driven more than strategy-driven.

And we ended up cutting a lot of force structure in the services, again, particularly in the Army, but because that reflected our personnel cuts. It doesn't make any sense to try to keep the force structure and the headquarters if you are cutting the personnel.

So we did cut some brigade combat teams, some force structure in the Marines; but again, that reflected our primary decision because of the budget caps to cut the personnel, to then shrink the force structure in proportion to that.

Mr. SMITH. Okay. Thank you.

Thank you very much, Mr. Chairman.

Mr. DONNELLY. I just think you need to have a larger aperture when you start going down this road. Just suppose, for example, you know, you are concerned because the F–35 is a huge program. What sense does it make to have—if you are going to cut the F–35s for the Navy, what sense does it make to have the big-deck carriers?

Who wants a $5 billion, $7 billion carrier with a 30-year-old airplane that can't go very far or carry very much on it? It is not like the F–35 is, you know, a miracle weapon for the carrier, but the carrier, without a better airplane on it, doesn't make any sense.

So you have to take the force—likewise, why should the Marines buy large-deck *America*-class amphibs, which was designed for the F–35? The whole boat is designed to accommodate the F–35.

Also, the force numbers are not necessarily capability numbers; they are force generation numbers. You may have to have 1,700 Air Force F–35s in order to generate a certain number in a certain number of theaters. I mean, I don't know that that RFTA [Reserve Forces Training Area] couldn't be revisited, but again, if you are worried about covering all the bases that we have to cover, you have to generate a force that is there.

We haven't invented a capability for any platform to be in two places at once. So the numbers make a certain bit of sense, and if you just start taking them in the abstract, you are going to end up doing, you know, exponential damage rather than arithmetic damage. And the pieces of the force interact with one another.

So this is what budget drills lead to that have second- and third-order consequences that we see reflected in the headlines every day but we don't really take into account when we go through these sort of budget drills.

Mr. SMITH. Thank you.

I used up quite a bit of time here. I want to yield back.

The CHAIRMAN. So do budgets. It is not just budget drills that have second-order effects; real budgets do too.

Mr. Jones.

Mr. JONES. Thank you, Mr. Chairman.

And I want to thank the panel for all the work you have done to help enlighten us to make some very hard and difficult decisions forthcoming.

I wanted to ask you that if we continue to go down this road of policing the world, and certain—there is a need with these attacks from ISIS and groups like that. And yet, we here in Congress are having to make some very difficult budget cuts not just as it relates to the military, but to other programs for the American citizen.

I think that is why the—today, with your testimony, is very important, because again, we will be making these decisions in the next few months.

I somewhat get perplexed with the fact that—I will use for an example Afghanistan. John Sopko, the Inspector General for Afghan Reconstruction, has testified before subcommittees and a full committee—Oversight—that so much of the money we are spending in Afghanistan is a waste. It ends up in the hands of the Taliban to buy weapons to kill Americans, or the Taliban decides that a road that we built, they want to blow it up.

I know this wasn't part of your responsibility, but I gotta get to a point. If we continue to do this policing work around the world, and then we decide that, yes, we fought, our men have died and given their life and limbs, but we are going to still stay there and help them rebuild their country. The Bilateral Security Agreement with Afghanistan is 10 more years at an average of anywhere from $25 million to $40 million. I mean, it is just on and on and on.

Then you testify here today that we are not going to have the strong military that we need because, again, money is going to be part of the issue. Yes, there is waste. You acknowledge that, in the

Air Force and the Army, I think; 20 percent, you said maybe, was excess. There are things we can do and should do.

But I want to get to the point now of the question. In your analysis and your personal opinion, is there not going to be a time that the Congress pass a war tax to pay for what we have and what we need to keep this country militarily strong? Because I just don't think we can continue to go down this road, quite frankly, without a collapse.

So my point is why the Congress does not have a debate—and maybe we will have a debate—on the fact that maybe we need to debate a war tax, or some type of taxation to make sure that we are not cheating our defenses from being strong enough to protect this country.

Do you believe sincerely at some point in time—and maybe this is a little bit off your responsibility, but I would like to know your personal opinion—that if we continue to go down this road, we cannot keep doing business as we are doing it now because we are not paying for it? It just is ongoing and ongoing to a point that we won't have any more money.

Is it fair to say that Congress should have this kind of debate so we can answer some of the—have some solutions for some of the areas that you have shared with us today that are going to be problem areas in the days to come?

Mr. HARRISON. I would just respond that, you know, I fully agree that we as a nation need to have a debate on what it is we want our military to be able to do. And that is where we began the exercises, by each of these teams having that debate amongst themselves on exactly what are the right roles and missions for the military now and into the future.

Once we have that debate then we need to do the hard work of figuring out what it is we need in our military, in terms of capability, capacity, and readiness, in order to execute those roles and missions that have been assigned to the military. And once we know what resources would then be required, then as a nation we need to be willing to pay for it.

And if that means additional revenues by, you know, some means, then so be it. But that is the debate that we should be having.

Mr. THOMAS. Congressman, if I could just add to Harrison's remarks, I think in addition to a national debate about what we need our military to do, I think we also need a much greater dialogue with our allies and partners overseas. I think it is not just a question of what do the American people pay, but what more can our allies be doing in various places.

Mr. DONNELLY. I will be very brief, if I may. If the question is about how to finance military power and the conduct of war, historically these are the reasons that countries have national banks and borrow money—not to support current entitlements, not to pay for current, you know, recurring domestic expenditures.

The British national debt during the Napoleonic Wars was something like 250 percent of GDP per year. Yet, because that was a public good, the markets of Europe were willing to finance that and eventually the British retired that debt.

We are doing precisely the opposite right now.

Mr. JONES. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Appreciate the gentleman.

I realize it is hard with five witnesses to stay within 5 minutes, but if members can keep their questions briefer then we might have a chance.

Mr. Moulton.

Mr. MOULTON. I have no questions at this time, Mr. Chairman.

But thank you all very much for participating in this incredibly important discussion.

The CHAIRMAN. Ms. Speier.

Ms. SPEIER. Thank you, Mr. Chairman.

In reading your testimony, I wondered if you thought there was any fat in the defense budget.

Mr. DONNELLY. There are things that I wouldn't necessarily buy. I am not sure I would call them "fat"; I don't think that is really a useful——

Ms. SPEIER. What would they be?

Mr. DONNELLY. There were things I would reinvest in, and not invest in at the moment. I think, for example, although the littoral combat ship [LCS] is a great littoral combat ship, it is not a very good frigate.

So the problem is not the ship, per se. It doesn't make it a "fat" ship, although, unfortunately, the Navy made it way——

Ms. SPEIER. Too heavy.

Mr. DONNELLY. Yes. Yes, okay, so but the problem is a bad analysis of the mission and the need or a changing international environment. There is nothing wrong with the program, per se, or the technologies, per se; it is just too small to be a frigate.

So it is the wrong weapon. It is not a—you know, it is not that this was fat or government waste, fraud, and abuse.

Ms. SPEIER. Thank you.

The National Defense Panel, with members appointed by this very committee, concluded that, "A recapitalization of the nuclear triad under current budget constraints is, 'unaffordable.'" Yet the President's budget is asking us to overhaul our arsenal, costing $1 trillion over the next 30 years—money that could be spent on dozens of other national security concerns.

Before we move forward with this overhaul, do we need to reevaluate our assumptions and goals of our nuclear deterrent? I would like to know your thoughts on how we juxtapose that with the budget.

Mr. Harrison, why don't you start?

Mr. HARRISON. As a budget analyst, I always cringe at the term "affordability" because, you know, the things that we are talking about here today, some of them are very expensive, no doubt, but affordability is a choice, right? It is a matter of whether or not we are willing to make the resources available.

I think when I look at the nuclear triad my conclusion is that it is not yet ripe for a decision. If you look at the $1 trillion projection, it is over 30 years, you know, we will likely spend $15 trillion to $20 trillion on defense over that same time period. So it is a rather small part of our overall force and expenditures.

And many of the platforms included in the nuclear triad that we are going to need to recapitalize are dual-use, and especially many of the supporting capabilities, in terms of communication networks, tankers for the aircraft. Many of these things we would fund anyway even if we had new nuclear weapons in our arsenal.

I think you get to a good point, though, of do we need to rethink the triad? Do we need to rethink the way that we modernize it and the type of capabilities that we have in there? I think absolutely we need to be looking at it, and the time to look at it is between now and the end of the decade, and then we can start making some smart decisions.

The one thing that concerns me most about the recapitalization of the nuclear triad is we have put off some of these recapitalization efforts so that now many of these programs, the peak in funding are starting to overlap in the 2020s, in the next decade. And it is not just nuclear forces either; if you look at the rest of our acquisition portfolio, we have a number of major programs where their peak levels of funding are projected to occur at about the same time in the 2020s.

If you just look at the Air Force's aircraft procurement plan, their long-term plans—and I don't mean to pick on the Air Force here, but the F–35A will be in full-rate production; the next-generation, LRSB [Long Range Strike Bomber], will be ramping up to full-rate production; the KC–46A tanker aircraft will be at full-rate production; and they would like to buy a new trainer aircraft, ramping up to full-rate production.

Ms. SPEIER. Okay. Mr. Harrison, I am going to have to cut you off because I am running out of time, want to get one more question. But thank you very much.

And thank you all for your participation. I think this is an extraordinary exercise, and I would love to see us as members of this committee attempt to do what you have just done. It would be quite a challenge.

I would like to focus one last—30 seconds on the F–35. And I am more concerned than anything else on the cost of maintenance. And we do not factor that in when we built these sophisticated weaponry.

And I understand it, it is going to be about $19.9 billion a year, and $1 trillion over the lifetime of the program just for maintenance. And maybe you could all respond to that in writing, because my time is expired.

The CHAIRMAN. Thank the gentlelady.

Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman.

Not trying to flatter you, but I believe all of you are brilliant analysts. But you don't feed your families because you think lofty thoughts; you feed them because you are able to communicate well.

And by and large, we are failing. This committee is failing; anyone related to national defense is failing in communicating the problem we have to our policymakers and to the public.

The real essence, when it comes to national defense preparation, has nothing to do with intent, because intent can change within 24 hours. We really look at the curve lines for strategy, capacity, and capability.

As I see it, the problem we have is the curve lines for those who may want to do us harm today or in the future are dramatically going up, and ours are dramatically going down. The primary driver of that, in my estimation, is sequestration right now.

And yet, when we talk about sequestration, everybody on this committee would be against it but we would all have a caveat. Some would say, "But I didn't vote for it." Okay. I am in that group. Others would say, "But we can't deal with it unless we raise taxes." Some would say unless we remove it from everything else, unless we have a BRAC. You know the drill.

Taking all of that aside, using your best communication skills not with defense speak—not A2/AD defenses, or readiness, or any of those things that you have—what is the best message that we can use to communicate with other policymakers who might be sitting in Ways and Means [Committee] right now, or who may be individuals across the country, to tell them the dangers to this country if these curve lines continue the way they are and we can't change them? What would you say?

Mr. THOMAS. Congressman, I guess I would start by talking about not just the security that we have today in this country, but what is the security for our kids. That is something that affects every Member of Congress and it affects every one of us.

What kind of country are we leaving in the future? And as you point to these trend lines, there is a perception of American weakness right now in the world and that perception, I think, is growing.

And how we overcome it I think really involves two things. One is we have to get our fiscal house in order.

As Tom was talking earlier, in terms of being able to tap financial markets, our ability as a nation to go into financial markets and get whatever the heck we need, whether it is in World War II or it is in the next World War III, God forbid, rests on our fiscal foundation. How secure are we as a potential investment?

And so that is critical. Fiscal rectitude is the foundation for everything else.

And so I think that we would be very open to, whether it is entitlement reform, revenue increases——

Mr. FORBES. But you are covering the solutions. Tell me what happens if we continue the curve lines.

Any of you guys.

Mr. DONNELLY. Sir, I mean, we will lose wars, our people in uniform will die, and we as a civilian society will have broken faith with the very small number of Americans who go in harm's way to defend us. It is really that simple.

You know, the chiefs talk about readiness statistics and all the rest of that stuff, which abstracts it to one level, but it—you know, that is what it comes down to.

Mr. FORBES. Anybody else?

Mr. CROTTY. To me, you know, the strength of American power is on our economic prosperity, and that prosperity is based on a rules-based international order that is undergirded by our involvement in the global security. And I think that that is the biggest argument, to me, about why we need what we have.

Mr. FORBES. Anybody else?

Dr. BENSAHEL. I would add to that that, particularly for the American public, we need to emphasize that the future of wars do not necessarily look like Afghanistan and Iraq. I think that for most people who don't follow these issues closely, that is what war looks like and that is what the future looks like, and they don't want a part of that.

And so I think distinguishing what the future environment is like, future threats, and making clear that they do not always require large-scale deployments of combat forces in irregular environments is very important. I think the American public responds to the need for American leadership in the world. I think that resonates quite well.

And I also think—I hate to come back to this, but reforming the defense budget resonates. You know, my mother used to ask me, "Why can't the United States defend itself on $500 billion a year?"

It is an excellent question. If we started the budget from zero we would probably allocate things very differently.

But making a public case about how we spend that money and why those dollars are needed to protect U.S. interests around the world, to continue playing a leadership role, and to say that not everything looks like the wars of the past 13 years is an important step.

The CHAIRMAN. Thank the gentleman.

Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman.

I want to thank the witnesses for their testimony today.

You know, I have been sort of in and out. We are dealing with the education markup, and sequestration is haunting that process, which is, again, I think some of the more thoughtful people who care about our ability to advance technological capability in defense understand that education is also a priority that really plays into national defense, as well.

And that sort of, I think, goes right back to the question of, you know, when sometimes sequestration is talked about it is sort of, like, viewed as this, you know, the Ten Commandments that we are all sort of trapped under. And, you know, I was around when the 2011 Budget Control Act was passed, and when that was incorporated into the Budget Control Act, number one, you know debt-to-GDP was closer to 10 percent—or deficit spending-to-GDP was closer to 10 percent; today we are under 3 percent.

And secondly, the history—the forensics of sequestration really go back to the 1980s. I mean, this language was almost done verbatim from the Gramm-Rudman sequestration.

And Phil Gramm, the grandfather, you know, the inventor of sequestration, he gave a speech in 2011 where, you know, he reminded Congress that it was never the objective of Gramm-Rudman to trigger sequester; the objective of Gramm-Rudman was to have the threat of sequester force compromise and action.

So in other words, I mean, the fact is we are not helpless here. I mean, we can turn off those cuts by an act of Congress, which the Budget Control Act, by the way, was, as well.

So, you know, this is—you know, I just think it is important sometimes for people to remember we are not sort of trapped here,

that, you know, we can do this. And Mr. Thomas alluded to, you know, some of the ways that we need to take a global approach.

And the good news is that, again, because the deficit has moved in the right direction far faster than CBO [Congressional Budget Office] projected in 2011 when we passed the Budget Control—I mean, if you said that we would have the deficit down to less than 3 percent of GDP back in 2011 you would have been dismissed as a stark raving lunatic, and yet that is where we are today. So this is not mission impossible.

And again, I just think that that is something that we all have to kind of keep sort of drumming into is this is not something that we have to accept.

One quick question, again, looking at some of the priorities that, again, you guys still went through this process, you know, sharpening your pencils. You know, I sit on Seapower and, you know, the Navy changes that you sort of suggested—certainly the undersea, you know, sort of bolstering of forces is something that some of us are—you know, feel pretty validated about.

But there was also, again, the LCS program and the cruiser program seem to be sort of a target, in terms of some of your suggestions. And I was wondering if whoever wants to step up and sort of talk about that, you know the floor is yours.

Mr. DONNELLY. If you don't push the button you don't get to talk.

The sea services back in the 1990s made a fundamental misjudgment about the nature of warfare in their domain, which we have been paying for. They thought they were going to be able to eternally operate close to shore, so the *Zumwalt* cruiser was basically like a giant battleship.

It had a gun that shot 100 miles, which is a pretty amazing bit of engineering. But, you know, if you can't sail close enough to use the gun then it is a little bit of a problem.

Likewise, the littoral combat ship, as the name indicates, was meant to fight in littoral waters, and it was designed to go fast originally. It was called the "Streetfighter" at one point.

Well, so now we find that the environment in which it may be asked to operate is a lot more lethal. And thus, it was a fundamental misjudgment by the Navy about what its operational environment was going to be that has affected a whole host of programs, and it is going to, I don't know, take a long time for the Navy to recover from having made that profound mistake.

It has been a problem for the Marine Corps, as well. And you could probably make similar judgments about the other services.

Dr. BENSAHEL. I would like to just add briefly, your comment about education and how that affects this. One of the things we prioritized on our team was preserving as much of the defense budget as possible for research and development, and particularly within that basic science, things that don't have yet a direct link to defense programs, because of our concerns that the funding for that in other parts of the Federal budget will be coming down and that ultimately, basic research and basic technological research is absolutely essential to stay on the forefront of defense capabilities in the future. So we prioritized that even within the defense budget.

The CHAIRMAN. Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

I want to go back to the topic that Mr. Forbes was pursuing—that is how we communicate this problem. Anybody on this committee knows that the spending caps that were put on defense through the BCA are moronic and need to be gone.

The problem we have is many people in the Congress think it is working out just fine. Deficit is going down, they are not hearing the Defense Department squeal too much, and we are not dead.

So we have the challenge, as members of this committee, to communicate not only to the public but, more importantly, to our fellow colleagues and our leadership the problem in a way that makes them want to act. You know, Mr. Courtney is right—we can fix this, but we have got to have consensus that it needs to be fixed. That is not there.

So I would ask each of you—and, Mr. Donnelly, Mr. Forbes asked you to, in plain language, describe why it needs to be fixed, and you talked about we have broken faith, and all that was fine. That is not going to persuade Members to change their mind. What I think we have to do is offer that, but then follow it up with some specific examples of why this is a threat to our country's security.

So I would ask you to use this threshold: Assume you are talking to my 75-year-old mother who never finished high school, in that kind of language, and explain to her, who happens to be another Member of Congress, why this has got to be fixed and it has got to be fixed with this budget.

Start with Mr. Donnelly and go down. And you have got 30 seconds at most, because they are not paying attention after that. We are talking to them on the floor; they are wanting to get on to something else.

Mr. DONNELLY. I can't believe that a woman like that would be content to send American soldiers into harm's way without preparing them for victory. I would not want to give up on that idea. I think that is something that touches Americans who don't serve very deeply.

Mr. ROGERS. My colleagues are going to say, "Listen, the Defense Department is not squealing. I think it is working out just fine. Tell me why it is a threat."

Mr. DONNELLY. Because——

Mr. ROGERS [continuing]. Example.

Mr. DONNELLY. Part of the job of this committee is to put a—is to make that case.

Mr. ROGERS. That is what I am asking——

Mr. DONNELLY. You know, go out to a rifle range, go to a unit, go to a hangar and see pilots who aren't flying.

Mr. ROGERS. You are missing my point. I am on the floor talking to a colleague from Wisconsin. He is giving me 15 or 20 seconds of attention before he is moving on. I am asking you to help me have some examples I can provide.

Mr. Thomas, you are shaking your head. You know what you are doing.

Mr. THOMAS. I will try to redeem myself after Mr. Forbes' comment.

What I would say is that, are we better off now as a nation than we were in July of 2011, before the——

Mr. ROGERS. And he said, "Yes, well, our deficit is down."

Mr. THOMAS. Our deficit is down, but the world is going to hell in a handbasket. And what I would say is the reason we have to make—we have to fully fund defense today is because an ounce of prevention is worth a pound of cure, and we either pay now or we are going to pay much more later as we look at a deteriorating global security environment.

Mr. ROGERS. Y'all are making a wonderful case to people on this committee who get it. You are too abstract. Give me some examples of why we should scare the crap out of somebody that if we don't turn this around we are going to be in trouble.

Mr. CROTTY. So the last time we sort of ignored things and went down farther than most planners would have wanted us to go was the time we ended up back in—or we ended up in Afghanistan because we had not been paying attention and didn't have the capacity to—and will to respond. Or maybe more currently, if you are speaking to someone today, you know, "You see the beheadings from ISIS on the news. Do you want us to be able to do something about that?"

I think that that is the fundamental question. I mean, there are deeper questions buried in that, but I think that is the fundamental question we are sort of trying to face.

Dr. BENSAHEL. The world is a dangerous place and we are dealing with more difficult threats than we have in a long time. And we have to be able to deal with the full range of threats, from a group like ISIL that beheads innocent people, to an aggressive Russia that is invading, taking over territory from other states.

The United States has a leadership role to play in ensuring those things don't happen.

Mr. HARRISON. Sir, can I try a completely different approach? Because I don't think the defense arguments are necessary going to convince a person that hasn't already been convinced by them, because I think they have heard all of this.

What I would say is the BCA budget caps were set without regard for need. They were set to reach a predetermined deficit reduction target.

The BCA was intended as a forcing function, not as a means of governing. So I would say, with all due respect, Congress should do its job and govern, and reconsider those caps, and spend what is necessary for defense, not an arbitrary level.

Mr. ROGERS. Well, you know, all of you make very good cases, but I am just telling you, our colleagues don't get it. They really think they are working and they don't see the harm, and this is dangerous.

But thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Johnson.

Mr. JOHNSON. Thank you.

I have listened carefully, and, Mr. Donnelly, you mentioned about entitlement funding and inferred that that is one of the reasons why we cannot fund our defense needs.

And so my question is this: Defense spending, particularly sequester, are hollowing out our defense infrastructure and will leave us with a hollowed-out military unable to meet the current and fu-

ture threats to our national security. And my question to you is this: What is worse, a hollowed-out military and inability to respond to the current challenges to our national security and those that will arise in the future most certainly, or is it a hollowed-out social safety net with millions of poor, hungry, and homeless children, elderly, and mentally and physically ill Americans all clamoring and solely dependent upon private charity for their basic sustenance?

Which is worse?

Mr. DONNELLY. Both those things are bad. The worst case of all is paying for my entitlements. I am not yet poor. I don't intend to become poor, and——

Mr. JOHNSON. You do realize that there are many poor people out there——

Mr. DONNELLY. I do, but the entitlement——

Mr. JOHNSON. You realize that——

Mr. DONNELLY. But you are not talking about entitlements when you are talking about poverty. You are talking about the middle class. You are——

Mr. JOHNSON. You also recognize that——

Mr. DONNELLY. You are going to be—Social Security and other entitlements are going to be paying for baby boomer retirement. I would sacrifice some slice of that to protect the poor and to give people who need in this society a decent quality of life, and to protect us all as Americans.

Mr. JOHNSON. Well——

Mr. DONNELLY. Take my slice.

Mr. JOHNSON. I think most of us would agree with you. Most of us would have some affinity for the idea of perhaps removing caps on social—income subject to Social Security taxes, those kinds of things that would strengthen our so-called entitlements.

But you did not answer my question, though. What is worse, a hollowed-out military or a hollowed-out social safety net, which affects millions of poor children, elderly, sick, both mentally and physically—what is worse——

Mr. DONNELLY. That is a false choice that I won't make. We are a wealthy society. We can afford to defend ourselves and we can afford to take care of the people who need help in our society.

Mr. JOHNSON. Well, I think your comments were indicative of wanting to just totally cut and obliterate the entitlement spending.

Mr. DONNELLY. I said we are spending too much on entitlements; I didn't say that we should obliterate or eliminate the entitlement program.

Mr. JOHNSON. Current levels of spending on entitlement programs is too much, and current spending on defense is too little.

Mr. DONNELLY. In bottom-line terms, I would agree with that.

Mr. JOHNSON. All right. I just wanted to get you on record on that.

Unless any of the other members of the panel wanted to respond, I would have no other questions.

I yield back, Mr. Chairman.

The CHAIRMAN. Gentleman yields back.

Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman.

I would like to thank our panelists today for joining us.

Dr. Bensahel, I would like to go to one of the comments that you made specifically about base capacity. Your comment in your analysis is, "It is unconscionable to require these services to continue to spend money on facilities they don't need while the budget caps require them to cut end strength, training, readiness, which puts American troops at unneeded risk."

And looking at that, give me your perspective on how the analysis was done on current base capacity. What are some of the assumptions there? Was it different than the analysis that was done in 2005?

And one of the issues that comes up is, you know, not only are we looking at capitalization, but, you know, how does this square with the national security strategies that we have and making sure that there is, indeed, alignment there?

And another one of the most important questions is there is a cost to these base realignment and closure. If you can't capture those savings within the FYDP, then all of that is speculative about what impact truly realigning capacity has.

So give me your assumptions about that analysis and about where we really need to be addressing this particular question.

Dr. BENSAHEL. First of all, that is exactly right about needing to be able to harvest the savings within a certain period of time, the 5-year FYDP period. And in fact, that was the one defense reform-type option that was available to us in this exercise was what Todd dubbed, and others have dubbed, the clean-kill BRAC, which is that all the savings as part of that would have to be generated within 5 years.

I think that there are a lot of lessons to be learned from the 2005 BRAC experience. I don't think anybody is happy with how that occurred.

I would say that that process was much more about alignment than closure. There was a tremendous amount of new construction. The new construction costs reduced the planned savings for that by over 70 percent.

So the 2005 BRAC model is not what I think that Congress should endorse. The previous BRAC rounds did a far, far better job of reducing costs and actually harvesting savings, even though some of it was beyond the 5-year period. That is what Congress should use as a model and not be scared off by the 2005 experience.

I don't know the details of where those numbers came from within the services, but I do know that there have been efforts, for financial reasons, to shrink footprints, to consolidate, and some of it also reflects force structure cuts. When you cut force structure and end strength you don't need as many facilities as you have in the past, and I know that was one of the drivers of their cost estimates.

Mr. WITTMAN. Looking at the national defense strategies, I think one of the concerns is that in haste to be able to save money we look at the short term. But understanding, too, just as you all have pointed out, that things change in the long term.

And we know in the United States, as it is configured today, if you get rid of base structure you will never get it back in that configuration. And if you do need to regenerate that it will be much, much more expensive, and it will be sometimes impossible to re-

generate it because people don't want those things in their backyard anymore once they disappear.

So the balance is how do we save money in an effective way to meet today's needs, but how do we make sure that we don't rid ourselves of capacity that may be needed in the future?

And a great example is let's say theoretically you want to close an Air Force base, but we are planning to put in place a new long-range strategic bomber. And all of a sudden later down the road, as these aircrafts start to come online in 2020 and beyond, you look at it and you go, "Wow, you know, we closed this base, but that is really a place where we need to be placing these long-range strategic bombers, for a variety of reasons: we don't want them flying over neighborhoods, the sound, all those kinds of things."

So my concern is aligning strategically long-term needs with where we are trying to go in the short term. So just give me your perspective on how to—how those elements balanced in this decisionmaking.

Dr. BENSAHEL. I would just say that I believe the chiefs of staffs of all of the services are well aware of that. They do think long-term. They are not concerned—when they make recommendations like that and estimates of that kind of capacity they are not talking about what they need for today or even tomorrow; they are thinking much longer term.

And, you know, if those are the conclusions that they have reached, that they have asked Congress for—they are asking Congress to close 20 percent of their capacity—that will already have figured into their calculations, particularly because they are also, you know, involved—the Secretary of the Air Force, the Chief of staff of the Air Force are thinking about the long-range bomber, for example, when they make those decisions.

Mr. WITTMAN. Sure. I think that is why the questions about the assumptions that they make about needed capacity and whether that aligns with the strategies is such a critical question. I think those questions need to be asked if we are to make the proper decisions.

I don't know if any of the other panelists have a view on that and how we need to keep those things in mind.

Mr. THOMAS. Congressman, one thing I might add is we certainly have to be concerned about regret factors for closing domestic bases, but I think that danger is greatly compounded when it comes to thinking about our overseas bases. And there I think the regret factors could be far greater.

Mr. WITTMAN. Yes. Very good.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you.

Mr. Veasey.

Mr. VEASEY. Thank you, Mr. Chairman.

I had a question, you know, just about—particularly because the American public obviously has a lot of concerns about costs in general and defense budgets and what have you. But help me understand like how do you—with all the aggression that we see popping up in different parts of the world, particularly in the Middle East, but also in the Ukraine and other places, paying for all of the needs to address all of those different issues and be prepared? Be-

cause I think that a big part of preparedness is that even if we never have to use force, like let's say like in the Ukraine, for instance, we obviously want to have the appearance or the perception that we are prepared to deal with it if need be.

And so how do you deal with all of these—with having to keep up that perception and that capability at the same time and dealing with the money that is needed to do that, in particular when we start talking about personnel costs, which is a big part of the budget?

Mr. THOMAS. Congressman, one thing I would offer is that, as I mentioned in my testimony, we have to think about new ways of deterring conflict abroad. And in the past we have maintained very large, sizeable forces in an expeditionary fashion that we can dispatch overseas to come to the aid of an ally very reactively after something has occurred.

And we have an opportunity, I think, to make a shift. We can put greater emphasis on preventive capabilities and the ability to deny adversaries the ability to commit acts of aggression or coercion in the first instance.

But we also can place greater emphasis on global surveillance and strike capabilities that can cover down on multiple areas of the world simultaneously and hold out the potential for very devastating reprisals, should aggression or coercion be conducted.

Dr. BENSAHEL. I would add to that that the United States has a tremendous deterrence capability today, especially if you are talking about things like Russian aggression in Ukraine. The U.S. Army, in both the Active Component and Reserve Component, has a tremendous number of tanks, for example.

The question about whether they are forward-based and whether they are, you know, reassuring to our allies is an important one, but that is not a question of the equipment. The equipment is there; the people are there. It's a, you know, a basing issue and a force posture issue.

The types of current threats that we are facing don't require large-scale conventional forces in order to address. They are more likely to be addressed by special operations forces, light footprint types of approaches that cost much less money in terms of equipment; they are expensive on the personnel side.

But at least in the current threat environment, that is not a tradeoff that you have to make within the defense budget. Now, as I said, our principles when we went through this exercise were not convinced that that is the same logic over the long term, so our long-term investments shifted a bit in order to ensure that the United States maintains a credible deterrent force across all of its military services.

But the capabilities to deal with the threats that we are facing today, in our view, largely do reside within the services.

Mr. DONNELLY. If I may, I would say we have a problem more with dissuasion than deterrence. We have an incredible ability to punish anybody that we wish to punish, whether we are based forward or based in the continental United States. I mean, that destructive power of the American military is, you know, literally awesome.

The problem is to dissuade the Russians or whoever from crossing the line in the first place, and that is very much a matter of where we are and in what kinds of numbers. This is the problem, you know, both in Europe and in East Asia.

But it—the problem in the Middle East goes even beyond that, I would say. I have always been attracted to Jim's idea that we have been issuing eviction notices in the Middle East rather regularly over the past 20 years.

What is our strategy for ISIS if not to evict them from their current statelet, or whatever you want to call it. Anything less than that would be a strategic failure of huge magnitude.

So, you know, if our real goal is to not simply deter but to dissuade a whole host of bad guys from even thinking about it, they have to think not only of the severity of the punishment but of the certainty of the punishment and our ability to roll back, as it were, if they do cross various red lines.

And that is where I think the immediate problem is. Nobody doubts the United States' ability to exact—or to wreak havoc on our adversaries. What they question is our sort of willingness to do so, and our willingness to do so in a way that will be tolerable to our allies.

Mr. VEASEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Nugent.

Mr. NUGENT. Thank you, Mr. Chairman.

And thank you for being here today, to the panel.

You know, I agree with some of what you say and I disagree with some of what you say, which is a good thing, right? You know, we had a retreat yesterday, which was the first for this committee, ever, and we heard from some, you know, pretty insightful folks. Some was, you know, classified and some was unclassified.

But at the end of the day, I think most of us walked away saying, you know, we have—the multiple threats are so different, and we have state actors and we have resurgence of some state actors—Russia in one and China now emerging.

And our response obviously is worldwide while theirs is more regionally allocated, so they can have, you know, less money spent, but we have to spend a whole lot more to reach out and do the things we need to do, plus the counterterrorism issues that we have through non-state actors that are proxies for some states. So we have a whole host of issues to deal with.

But your review—and, Mr. Crotty, I think you—Crotty—you touched on an area as it related to the National Guard and Reserve Component. I think you were the only one that actually increased National Guard and Reserve, and I was just trying to figure out why did you do that and what was your basis behind that?

Mr. CROTTY. Sure. I think that when you start talking about getting down to these big budget cuts, one of the first things that you need to think about is the roles and missions question. What should everybody be doing?

And I think that as we talk about the changing and diverse nature of threats, and some of us have talked about the move away from how important conventional response is—perhaps the Guard

and Reserve can start to be a place where we start to develop these other capabilities.

Maybe these are not people who are going to be out there in the front line in tanks, but they may be—maybe the cyber mission needs to move out of the Active Component and into Guard and Reserve because that is how we can better access people that, you know, don't—they want to serve their country; they don't necessarily want to be in uniform on the front lines, but they have skills that they can bring. And I think that that is something that we—if you are going to have to start thinking about big cuts you have to start thinking about big moves, so that was one area.

I think another area where we were thinking about the Guard and Reserve is as a better rotation base for doing some of the engagement overseas or, you know, sort of short-term things, being involved in exercises and building relationships and having some of those language and cultural skills that might be harder to keep in the Active services.

And finally, one of the things that we did was we brought down the size of the Army significantly, and while conventional threats are less than they have been at times—or our conventional responses are maybe not as effective as they have been in the past, the ability to mobilize a large ground force is an important capability to maintain. And so while you lose some time and capability by moving it from Active to Reserve, it is still important to be able to do that if you have to.

And so making sure that the Guard and Reserve are sized and also organized to work better with the Active——

Mr. NUGENT. And the Guard and Reserve——

Mr. CROTTY. Yes.

Mr. NUGENT [continuing]. They do it at a reduced cost.

Mr. CROTTY. Yes. Yes. I mean, part of the reason we moved out of Active into the Reserve is it was cheaper.

Mr. NUGENT. But they have been utilized to a greater extent than ever, you know, the last 10, 13 years. They were never really, I don't think, envisioned to be that—you know, that operational, but they are today. And I think we have relied upon them to a greater extent.

Here is what I worry about, and, you know, we focus on what is in front of us. Right now the shiny object is ISIS. But, you know, it is much greater than that, you know, across the globe. You know, when you start trying to identify what the threat is and it is, you know, it is radical Islam, it is those types of things that are not just in, you know, in Syria and in Iraq, but they are in, you know, Africa.

They are all over the world, and so we are focused on that, but at the same time, we have state actors that are increasing their capabilities to an extent that we have never seen before. You know, China has never been a real threat to us, and I don't think they are necessarily a threat to the homeland, but they are a threat to our way of life, particularly in regards to what is going on, you know, in the Pacific, and what they can do and what their modernization is designed to do.

And we have to be able to project force to that because I think one of the things that was mentioned, you know, that ounce of pre-

vention is worth a pound of cure. And I just want to leave it at that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman, for an excellent hearing. I wish all of our colleagues were able to attend.

I also want to thank CSBA, because it sounds like that budget exercise you went through was extraordinarily useful not only for the expert panelists, but it made me wonder, Mr. Chairman, if we should get all the members of this committee to go through that exercise, because life is about tradeoffs; legislation is about tradeoffs.

And I thought Mr. Donnelly was particularly useful in his exercise in a traditional U.S. defense posture costing us $780 billion. Like, is anybody on the Hill talking about numbers of that size?

You know, and that is very useful because your benchmark is kind of like traditional HASC [House Armed Services Committee] speech material. So I would suggest that no member continue making that speech unless he or she is willing to find $780 billion so we are more than a paper tiger here.

Mr. Donnelly.

Mr. DONNELLY. I just want to clarify what the—that is the difference between what we thought would begin to be adequate and what the 10-year baseline is. So it is about a—almost a 20 percent increase, you know, so it is $800 billion out of $2 trillion, something like that.

Mr. COOPER. Yes. So it is 4 percent of GDP, which is a reasonable figure to spend on defense, but yet we, even on HASC, who are more familiar with these issues, are nowhere near in the reality ballpark to get this done.

Now, we perhaps don't need the traditional defense posture. The other panelists provide a useful service by getting even more realistic.

But just in that ballpark, when Mr. Harrison said, well, for certain personnel measures, reforms that we probably won't have the courage to do on this committee, that would save us $33 billion over 5 years.

Well guess what? This week this House of Representatives, in legislation so minor it won't even be reported in the newspaper, we will increase the deficit by $77 billion just by routine stuff that we will do this week.

Seventy-seven billion dollars. Now that is a 10-year figure, as opposed to Mr. Harrison's 5-year figure, but these are approximate numbers. Just this week we will blow through savings like that that this committee will not have the courage to come up with.

So I thought the single most powerful word in the testimony was Ms. Bensahel's word "unconscionable." That is a strong word.

And what was she referring to? The fact that this committee will not even allow the Pentagon to consider a BRAC reduction when the Army and the Air Force testified there is 20 percent surplus capacity. That is outrageous.

When our own military is begging them to—begging us to get the flexibility to do the right thing and we refuse to give it to them. We look incompetent. We look selfish. We look weak.

And America should not look like that. So this is this committee's chance, under new leadership, to come forward with a realistic and funded defense strategy.

On another note, Mr. Thomas, I wanted to ask—you mentioned a new strategy regarding sea mines and things like that. I would like to understand more about that. Aren't mining the seas considered an act of war? But that's a useful way to do A2/area denial?

Mr. THOMAS. Thank you, Congressman.

What we have seen our adversaries doing over the last decade or more has been developing capabilities that can impede our ability to project power. Sea mines, as they sound offensive, are actually extremely useful defensive weapons.

So you could imagine in places like the East China Sea, the ability for the United States and its local allies to be able to implant mines in their own territorial waters that could impede intruding submarines and other forces could be valuable for helping to better defend their maritime areas of control.

Mr. COOPER. You have written about this, and so just go to your think tank and CSBA and get the materials on this?

Mr. THOMAS. Yes, sir. We would be happy to send you something.

Mr. COOPER. That would be great.

Thank you, Mr. Chairman. Again, an excellent hearing.

The CHAIRMAN. Thank you.

Mr. Harrison, you are as knowledgeable an expert on defense budget as I know of in town following it closely. Are you aware of any study or basis for this figure that some folks from the Pentagon throw around that we have 20 percent extra infrastructure?

Mr. HARRISON. My understanding of that figure is, well, first of all, I believe DOD is prohibited from doing a detailed analysis of this issue, so they aren't able to produce new analysis to substantiate the number. The figure is an estimate that is derived from the detailed analysis they did of the inventory of facilities in the United States prior to the last round of base closures, and then subtracting the amount of infrastructure that was reduced during the fifth round of base closures. You end up with somewhere in the neighborhood of 20 percent excess capacity.

The CHAIRMAN. As I understand what you are saying, sometime before 2005 they believe they had—and I don't know if these numbers are exactly right—23 percent extra infrastructure. The 2005 BRAC round reduced 3 percent, so they are saying, okay, we still have 20 percent extra.

Mr. HARRISON. That is my understanding, sir.

The CHAIRMAN. That is where that number is basis——

Mr. HARRISON. Yes, sir.

The CHAIRMAN. Okay. Thank you.

Mr. MacArthur.

Mr. MACARTHUR. Thank you, Mr. Chairman.

I have lived through budgets for about 30 years in a very different context—in a business context—and I am still trying to decide and discern to what degree that helps me and to what degree that hurts me in trying to assess our role and how we make

progress in this. And I have presented budgets where I argued for my priorities; I have sat on boards of directors where I evaluated those and made cuts.

It seems to me that our role is probably more like the board. I don't see us cutting individual programs, getting into the weeds. I think we lose something there.

So I have been focused on the broader sense, and I would be interested when I am done in whether you think that is the right approach for us.

It also seems to me the difficulty for us in assessing what level of military investment is adequate, there are a couple things I have jotted down here. One, the scope of the DOD is vast and arcane. It is so complex that only initiates like the DOD, perhaps you, and others really get it.

It is difficult to compare dollar levels to your mother. What is the difference between $500 billion and $550 billion? You know, what is the difference, really? It is hard for us to assess that.

There is a myriad of different opinions is a third problem about the risks, the priorities, the relative effectiveness of options.

And then there is a whole set of—a fourth issue is differences in values. I heard a question earlier about, you know, is this more important than social programs. And you can argue whether that is a false choice, but it is a choice that is in many people's minds.

So I have tried to stay focused on a little bit of a broader approach to this, and that is, what is military spending over time as a percentage of GDP in peacetime, in wartime, and where are we? Are we in wartime, peacetime as you look—you know, it is not a World War II environment, but we are certainly a nation at war.

And I would like you to talk about it, but I would actually like it if one of you could send analysis, if you have it, I assume you do—what have we spent throughout the course of modern history in military spending as a percentage of GDP? And then what level of DOD spending is implied by the current BCA as a percentage of GDP?

So I would be happy to have you grasp any of those points that I just mentioned and comment on them.

Mr. HARRISON. If you don't mind, if I can go first? I have a report, I will send it to you, that tracks it, at least since the end of World War II, of defense spending as a percent of GDP. I do not remember the exact numbers off the top of my head, but I believe the peacetime average, if you cut out the periods of the Korean War and Vietnam War, et cetera, that we have typically averaged around 6 percent of GDP.

But also, if you look at the trend in the graph, it has been steadily declining, and that is over decades.

I caution people against using percent of GDP as a good metric for defense spending. I think what that leads us to is setting things like an arbitrary floor for defense spending.

People floated things like 4 percent of GDP, "Four Percent for Freedom." It is great alliteration. I don't know that it is good strategy, though.

I still fundamentally believe—the reason I am against the BCA budget caps is the same reason I am against setting a percent of GDP for defense, is because I think our spending level should be

driven by our security needs and not set at some arbitrary level, regardless of where that ends up. Let's have the debate about what we need to spend and then let's fully fund that.

Mr. MACARTHUR. If we could get some agreement around that I would agree with you. But I am not sure we can, and so in the interest of persuading colleagues who are part of this decision, it seems to me there needs to be something else, some handle for people to grab hold of and say, "Okay, we do have deficit issues, but if we spent 6 percent traditionally then maybe I can live with, you know, 3.5 percent today." That is why I gravitate a little bit to that.

Mr. HARRISON. I have failed to answer the last part of your question. We are on track now to fall below 3 percent of GDP on defense spending. That is where we are headed at this moment.

Mr. DONNELLY. I will try to put this in 15 seconds. Since the end of World War II we have guaranteed a remarkably historically secure and stable international environment. It has been the framework for our prosperity, been the framework for the expansion of human liberty across the planet, and for a really—if you are talking about great power stability, unprecedented in history.

The cost of that has declined as we have become richer and the system has become more entrenched, which is reflected in that downward GDP slice. GDP is nothing more than a measure of the opportunity cost. Can we afford to sustain what we have built?

And at 5 percent, a nickel on the dollar, it seems like a pretty good value and a cost that we could sustain, you know, indefinitely.

Mr. MACARTHUR. Thank you.

I yield back.

The CHAIRMAN. Mrs. Davis.

Mrs. DAVIS. I will try, Mr. Chairman, really quickly. I have been called back to another meeting.

Thank you so much. Your presentations were good. I read most of those before and have heard the questions.

Mr. Harrison, if I could turn to you, because I know you have been very involved in personnel issues, and I believe the chairman asked about that earlier and, you know, the cost factors involved.

We have 1 percent of our population that engage in the military, and so part of the pushback as we move forward and try and deal with these issues is that very fact of people feeling like, you know, we are looking at the budget but, you know, we are going to this area—and I greatly appreciate the commission, but I am just—you know, we were talking about how do we sell some of this.

And what would you say, I guess, to that 1 percent? And what is it that we should be coupling particularly with those changes, that modernization, that we demonstrate that we are actually, you know, being very true to the young men and women and the families who serve this country?

Mr. HARRISON. I would say that when it comes to the defense budget, it's about balance. And when it comes to keeping faith with the troops, it is not just about pay and benefits; it is about ensuring that the force that we have and the funding we provide provides an adequate number of people, it provides the best equipment in the world that is properly maintained, and the best training in the world.

And we are breaking faith with the troops when we shortchange any of those things. So it is about keeping the right level of balance.

And for me, when I look at the compensation reform issue, I served in uniform in the past and, you know, I can tell you—and anyone who serves I think would agree—that it is not the only reason people join the military or choose to make a career of the military. It is not just about compensation; it's about serving one's country. So let's not forget that.

But also, what is important to me is thinking about the future. I am not in the military anymore, but what if one day my two little daughters—this is still a long way off—what if one of them wants to join the military. What will I care about as a parent at that point?

I will tell you, I will not care one bit about their retirement plan. I will care about making sure they have got the best training, the best equipment in the world, and they have got enough people going into battle with them that they will be protected and they will be able to come back home to me. That is what I care about.

And so I think when we are looking at, you know, what we can do in the future, yes, we absolutely have to keep faith with the troops. And we absolutely need to maintain an All-Volunteer Force with a compensation system that can recruit and retain the best and the brightest, but it is about balance, so I think we have got to look beyond just trying to maintain the status quo.

Mrs. DAVIS. Just too, I think a few of the other issues that you raised—one is focusing on cyber, and that is understandable. I know that in the last budget we actually did improve those budgets considerably, and on some levels they—technological piece and the intel piece is really dependent on the best minds, you know, so it is personnel, it is human capital that in many ways is required here.

Why did everybody want to raise those cyber budgets significantly and what should we know about that? Is it in competition, necessarily, with adversaries and the idea that, you know, we are—we can't stand still while they are, you know, racing ahead, or is it something else?

Dr. BENSAHEL. I think there is a tremendous amount of concern about proliferating cyber capabilities, particularly in the hands of some U.S. potential state adversaries and their capabilities. So I do think that there is a reason to be investing in that.

I would caution, though—and I don't think the American people are aware of this—that most of the money that DOD spends on cyber goes to protecting and dealing with DOD networks and dealing with offensive capabilities against state adversaries. They don't go about protecting, you know, the networks that we depend on for our, you know, banking, for, you know, the fact that we all have iPhones in our pockets, you know, the basic networks that undergird our society.

I think there is an important role here for Reserve forces to play not just because they offer the chance to bring in people who wouldn't necessarily serve otherwise, but because you want the people who work at Apple, and Microsoft, at whatever, you know, startup tech company, you want the military to be able to address

their skills. And particularly if—to be able to utilize their skills. And particularly if you are talking about the Army and the Air Force, you want them in the National Guard so that they can also deal with state preparedness for cyber emergencies and events that may occur, as well.

Mrs. DAVIS. If I may say, because I think you were pointing out the fact that those Reserve forces and civilian have increased greatly, but that is part of the argument, that being specific about the talents that people bring in that area, we actually—maybe we should be increasing that a lot more.

Dr. BENSAHEL. I think it is important to bring in people who already have those skills. It is much harder to grow someone within the military force structure to do that than to bring in people with the outside expertise.

The CHAIRMAN. Thank you.

Mr. Brooks.

Mr. BROOKS. Thank you, Mr. Chairman.

The Budget Control Act passed in 2011. It held the sequestration provisions in it that have done such damage to national defense. For emphasis, I am one of those that heeded the warnings and voted against the Budget Control Act.

We were advised—the House Armed Services Committee in 2011—that if sequestration played out through the full 10-year period, after everything was said and done our military would have the smallest number of men and women in uniform since before World War II, Great Depression era numbers; the smallest number of operational naval vessels since roughly World War I; and the smallest number of operational aircraft in the history of the United States Air Force. That's 3½ years ago.

Today, do you have a judgment as to whether those projections are holding up, or they were exaggerations, or underestimates?

Mr. CROTTY. My first reaction is, actually, I think we are getting there even faster than some would have guessed at that time. You know, we already had a Navy and an Air Force that were shrinking as budgets were growing.

I believe the Air Force is now trying to rebound from hitting their lowest point since their creation after World War II this year. The Navy force structure that we have projected even in the President's budget level, not even the BCA level, is bringing us far below where we have traditionally been as a Navy.

And it is both the size and efficacy of those forces. We have shrunk them, but they also have the oldest equipment that they have had, especially in the Air Force, as sort of an average age of inventory, and they are getting less time to fly, steam, drive, and train and exercise.

So I think we have already seen a lot of those impacts probably faster than we would have expected.

Mr. HARRISON. And I could add one thing. Fully agree, we are rapidly shrinking the force, I think faster than many of us even expected. I think even when we were running this exercise I think we thought that our cuts might have been too rapid, and yet it seems to be the track that we are on.

A caution I would offer is while, you know, for many types of threats and many types of contingencies the size and the capacity

of the force matters and the number of platforms matters, in other contingencies, other situations, it is the capabilities that those platforms have that actually may be more important. So while we do see that our ship count in the Navy, just if you take an example, is far below where it was in the 1980s, it is a different mix of ships with different capabilities.

The same is true of the Air Force. Much smaller number of platforms, but I would argue that the platforms are a lot more capable.

So it is a very complicated question when you are looking at the size and capacity of the force. You have to also take into account, what are the capabilities of that force? What can it actually do?

And that—I think that is a key role of this committee is providing oversight to make sure that we have got the right set and the right mix of capabilities and capacity in the future.

Mr. BROOKS. Is it fair to say at the same time that our potential geopolitical foes' platforms or weapons systems are also being upgraded?

Mr. DONNELLY. Or just changed.

The other thing that I would say about our forces is they are really remarkably less ready. So it is not just a question of how capable they are, how many of them there are, but how many of them are prepared to go into harm's way on short notice.

The chiefs recently testified that, because of the little squirt of money they got in the Ryan-Murray deal, the Air Force got up to 50 percent of its combat fleet being ready. The Chief of Staff of the Army reported a third of its brigade combat teams were ready. That was the high watermark of recent years.

So if you ask, "How many units can we send to respond to a crisis who have all their gear, well-trained, all their people, and are ready to go," that is a small slice of a shrinking pie, an aging, you know, pie with aging equipment, et cetera, et cetera. So if you are looking at outputs rather than inputs, I think that is the sort of metrics that really frighten me much more either than capacity or capability.

Mr. THOMAS. China has had double-digit increases in its defense spending for 24 of the last 25 years. That is a situation that we can't imagine, sitting in this room, for ourselves. And over time, those—just looking at those trajectories, this just presents a far greater problem for us as we look out a decade or more.

Mr. BROOKS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Ms. Stefanik.

Ms. STEFANIK. Thank you, Mr. Chairman.

And thank you, to all the witnesses, for the excellent testimony today.

My question—and I hope in this question I bring generational perspective—I was a senior in high school when 9/11 happened, and in our world today, at no point in my lifetime did we have more hotspots and chaos than we do when we open the newspapers. I find that much of our discussion in Congress, unfortunately, focuses on the impact of the sequester with a snapshot of the present time.

My challenge to you is, what is the snapshot of the future for my generation that is going to inherit the negative implications of the

sequester if we do not change the trajectory? I would like to hear what that snapshot is 10, 20 years in the future, how it affects the free flow of goods and services around the world, the tough choices our military is going to have to make, and whether we will be able to support our allies.

Mr. CROTTY. I will just take a quick comment to that. You know, I think that the worst case scenario is a continuation of actually some of what we have seen this year, which is the freedom of regional actors to start to take things into their own hands without fear of repercussion, which I think is sort of the harbinger of a breakdown of sort of the international order.

When we reach a point where, you know, we see all of these hotspots, the concept of regional actors being able to physically take territory—I mean, the last time there was an annexation of land was Kuwait, and before that it was back in the 1960s. I mean, this is sort of relatively unprecedented in the current time.

And so if that is what the worst case scenario looks like, I think the hotspots only sort of exponentially grow.

Mr. THOMAS. Really since World War II we have taken for granted the international set of rules that everyone plays by, which are really underpinned by American defense capabilities. And as we look out over the next couple decades, I think it is likely that we are not only going to have challenges to that global set of rules, but in fact, there are a number of revisionist states, whether it is Russia and Europe in the Caucasus or Iran in the Middle East, particularly if it acquires a nuclear weapon, or China in East Asia, that are going to impose new rule sets, at least regionally, and over time globally.

Mr. DONNELLY. Suppose a couple years from now you are voting on an authorization of force requested by the President in whatever scenario you can imagine, and you thought as a member of the committee that you were going to send people into harm's way who might not win, and that more of them would die than you felt comfortable with. That is not something that anybody since 9/11 or since the end of the Cold War has had to take into account. When we have gone to war we have gone to war with the expectation of victory and at a particularly low cost.

So as you look forward to your long and no doubt distinguished career, that is the kind of proposition that you may have to wrap your head around.

Ms. STEFANIK. Mr. Donnelly, I want to follow up on that.

My second question, I have the distinct honor of representing Fort Drum, which is home of the historic 10th Mountain Division, the most deployed unit in the U.S. Army since 9/11. And my basic question—and I want you all on record—as we focus on the negative consequences of these devastating defense cuts, are our soldiers' lives at risk today and tomorrow?

Mr. DONNELLY. Yes. I mean, and again, more so. War is a dangerous business. All kinds of—you know, training is a dangerous business.

You know, we ask people in uniform to take these kinds of risks, but we also think that our responsibility is to send them out there with the prospect of victory, and a prospect of coming home in one piece and living a decent life when they are not deployed.

Mr. THOMAS. Yes. I mean, a force that is not adequately trained and adequately equipped is going to be at far greater risk, and this is a real danger with the Budget Control Act and the imposition of the caps.

Mr. CROTTY. Yes. And I would add that we have talked a lot about the impact of sequester-level budgets, which is, as distinct from sequestration, the mechanism itself—you know, we talk about how bad sequester-level, BCA-level budgets are. I actually think the impact of sequester, particularly on those readiness questions and training, is even worse. So I would just highlight that in the future as we see where this budget goes this year.

Dr. BENSAHEL. Yes. The cuts to readiness undoubtedly increase the risks that our military personnel will face.

Mr. HARRISON. The one thing I would just add is not only is it the amount of budget reductions that play—increases this risk. That would only be compounded by a failure to make strategic choices, because I think the way we spend our defense dollars is just as important as how many dollars we have to spend.

Ms. STEFANIK. Absolutely. And as we seek to educate our colleagues of the importance of replacing this sequester and not gutting our Nation's military, it is more than dollar signs. This is about our soldiers' lives at risk and brave young men and women who serve in our military.

I yield back.

The CHAIRMAN. Thank the gentlelady.

Mr. Knight.

Mr. KNIGHT. Thank you, Mr. Chair.

And I would like to say that I appreciate these briefings. They are very helpful, especially to the freshmen that are learning quite a bit, and we are getting into this process. Maybe we have come from somewhere where we have got a little bit of knowledge about this, but the whole budget process is quite a bit.

I want to talk about two things real quickly. One is in a time where we are deploying one-to-one in many of our cases—I know the Marines as a whole are about one-to-five-to-one right now. It is very difficult, and it is very difficult to maintain a force.

Some of the force wants to be deployed, but when you start getting into one-to-one or 1.5-to-one, you start diminishing your force and diminishing what—well, what they are capable of, quite honestly.

How much should we worry about that? How much should we worry about many of these divisions going out at such a high rate?

And then secondly—and you can take these as a bunch; this is a totally different subject, but let me talk about the F–35 program. The F–16 has been out IOCs [initial operational capability] for about 36 years; the F–15 for about 43 years. We are going to have those two aircraft, those two fourth-generation fighters, for probably another 20 to 25 years in some capacity in the U.S. Air Force.

At what point to we say the F–35 program is a leap ahead in technology that we just can't skip? You can't take two bites of the apple, in other words. You have to do that technology jump right now.

In other words, if you don't do it in 10 or 15 years, if you try and take the next step it is going to be hugely costly and we won't be

able to afford it at that point, so the Joint Strike Fighter [JSF] makes sense. And maybe we can run down the road on that.

Mr. HARRISON. I would just start by saying in this exercise, no one actually cancelled the JSF program. Three of the four teams did reduce the quantity that we are buying, but I will let them explain their rationales.

Dr. BENSAHEL. On both your questions, first, the rotation demand, the one-to-one and one-to-two and one-to-three that we have seen should no longer be the rotation requirements of the future now that we are not sourcing two large-scale ground wars in Iraq and Afghanistan, so those numbers are naturally going to come down. So the way that we have looked at rotation policies in the past, the way even that the services have thought about staffing themselves and modeling what units are ready to go is all going to be changing because we will no longer have that kind of rotation demand on our largest forces.

The caveat to that is special operations forces and other specialized capabilities will continue to deploy at those rapid rates because that is where the demand is, and so there does need to be some caution there. But those larger problems I think will naturally reduce themselves because of—we are going to be having fewer people deployed overseas.

Second, on the F–35, exactly as was just said, I think the question is not whether we should have the F–35, but how many. I would make an argument that the leap ahead is not to the F–35. The F–35 is important, but it is a linear continuation of the succession of fighters that we have had.

The real leap-ahead technology is into unmanned, and there are very, very good reasons that the Air Force in particular should be exploring that. And I would argue for not investing additional funds in the F–35 as the leap ahead, but taking any harvested savings and investing that in the future of unmanned technology, which will be a truly bad capability.

Mr. CROTTY. On the first question, I would say that one of the things we do have to keep in mind is that while we are coming, you know, sort of having a changing of our structure of rotating, I think that there is also greater demand on forward deployment worldwide, and that is something we will have to keep in mind and keep an eye on, especially with any changes to capacity. I think that is one of the big issues. You know, we need to be places to reassure, to have presence, to engage with allies, which I think is critical today.

As far as the F–35, I think one of the undersold advantages that it provides is as the sort of network node that actually makes everything around it better. And then, in fact, that is sort of the multiplication, to me, that it brings to the table is actually taking the fighters that we are going to have for another 20 years, and when you start working them together it actually vastly increases their capability, their survivability. And I think that is something that we can't sort of wait on.

Mr. THOMAS. To your first question, undoubtedly if we are going to have a smaller force we have to change what we are doing. We can't have unsustainable OPTEMPO [operations tempo], PERSTEMPO [personnel tempo], where you have one-to-one rotations.

But that is going to drive you in one of two directions. Either you are just not going to be overseas because you are just not—you don't have the rotation base if you continue business as usual.

The other alternative as a smaller force means we are going to have to be more forward stationed, and I think that probably is the right answer. And it is the right answer not only because we are a smaller force, but it is the right answer because the environments in which we are going to operate are going to be far more contested, and our ability in a crisis or in a conflict to simply flow C–17s and commercial aircraft into a theater or drop off ships in that theater with troops is just not going to be realistic.

On the F–35 point, I would just echo Ryan's comments on how we think about the F–35. It is more than just a fifth-generation fighter aircraft; it is a node and a network.

And in particular, I would highlight the incredible capabilities of the advanced electronically scanned array, the AESA radar, which not only is a sensor, but it also is a potential weapon in the future. So I think we have to kind of change how we think about this capability.

That said, we are going to have to look at what the capacity of that force is going to be.

Mr. DONNELLY. I will be quick because there is not much time left.

Anybody who tells you we will never get another large-scale land campaign in the Middle East, you should go have a little lie-down and, you know, wait till it passes. Nobody ever wanted to do these things in the first place, but there is a logic there that is pretty compelling. If you do care about the balance of power in the Middle East, this is going to keep coming back up.

The points that people have made about the F–35 being something fundamentally different than a fancier version of the F–16 are right on point. I would offer that it is not really a fighter; it is more like an armed scout. It can go and protect itself and find targets for other things to kill.

Mr. KNIGHT. Thank you, Mr. Chair.

The CHAIRMAN. Time of the gentleman is expired.

Let me see if you all are comfortable in answering how much we should spend this year on defense. Given everything you know about the work that your organizations have done, the exercise we have been talking about—and just for reference, using the 050 numbers, we are at $521 billion this year; under the BCA caps it is $523 billion; the President's budget request is $561 billion.

I am not trying to influence you, but yesterday General Dempsey told us that $561 was the lower ragged edge of how much spending it would take to defend the country.

So, based on everything that you have done and everything you know, let me just see if—and if you don't feel comfortable I understand, but do you have a number for fiscal year 2016 that you think would be an appropriate amount to spend for defense?

Mr. Harrison.

Mr. HARRISON. Well, being from a think tank, I will start with my caveats. If you—what do you want the military to do is the strategy that is laid out in the 2012 Defense Strategic Guidance and updated in the 2014 QDR [Quadrennial Defense Review], if

that is what you want our military to do then I think—and the other caveat, if you are willing to accept many of the cost savings proposals that DOD has included with their budget, which do include some compensation reform proposals—if you are willing to accept that and cross your finger that some efficiency initiatives actually come true, then I think their number of $561 billion for the total national defense budget is probably about right.

Dr. BENSAHEL. His caveats were my caveats. I think that the key question is what savings do you harvest in other parts of the defense budget and the assumptions that go into that.

But if you make those assumptions, I think that that is a reasonable number to be considering. But I don't have a lot of optimism that a lot of those caveats will hold.

The CHAIRMAN. And your reason for saying that is if we gain efficiencies or savings in parts of the budget, those savings and efficiencies need to stay within the defense budget, right?

Dr. BENSAHEL. Yes, that is part of it. It is also—and you will know this far better than we do—it is very, very difficult to achieve current-year savings by looking at efficiencies on the kind of reforms we are talking about; you do need to have a much longer perspective.

The CHAIRMAN. Yes. Okay.

Mr. CROTTY. I agree. I do think, obviously, Chairman Dempsey going with the ragged edge at $561, it is hard to refute that. And the—sort of the rumor has always been that, you know, that they tried to come in significantly higher.

You know, I think that having some pressure on making sure that internal reforms do happen and there is some rationalizing of say civilian and contractor forces, as the force changes, you know, there needs to be some downward pressure. But I am concerned about some of the risk is all in the other direction. The risk is in the money we are trying to bring back in from OCO [Overseas Contingency Operations] that—in the war funding, that really is now just about how we live day-to-day. It is part of what the military is doing.

So between that, the past efficiencies, and assumed future efficiencies, the $561 starts to jump to $580, $590 really quickly when you start thinking about exactly what it is we think we are paying for and need to pay for.

Mr. THOMAS. Just to underscore, we really need reform, because the reforms are not just about treating the President's request as a floor for this year and saying, "If we don't get the reforms you potentially need more," but it is the long-term savings. And if we don't start placing—putting these reforms in place, we have this problem year after year. And at the same time, if we do put the reforms in place, we get those accumulated savings sooner rather than later.

Mr. DONNELLY. I would fall back on the report of the National Defense Panel, for which I worked as a scribe and so I got to see the members wrestling with this question. And their answer was to say we needed to go back to the 2011 budget—the last Gates budget, as it is commonly referred to, which was the last time prior to the BCA that the Department was allowed to do anything like budget building that was based on a strategy.

And I think their observation was that the BCA has fundamentally changed everything since then, including the National Military Strategy, as reflected in the Defense Guidance.

So the question is how reasonably fast can we get back to that Gates ramp? So based on where we are and what that Gates number is, something in the $560 to $570 range is probably as much money as the Department can reasonably digest, even if you wanted to get back to Gates, say, by 2018 or something like that.

The CHAIRMAN. I don't remember the exact number for this year for Gates, but it is in the—I think $580s or something like that would be what it would be, so— I'm sorry?

STAFF. 638——

The CHAIRMAN. $638 billion. Sorry. It is always good to have a budget person on your right shoulder to remind you what the real numbers are.

Last comment I would make: I appreciate what a number of you, including Mr. Thomas at the end, said about reform. My only point to you is it is not just about saving money; reform is necessary for the agility we have to have in a very volatile, uncertain world. And so there are two goals of this reform, and we need to keep them both in mind.

But you all have done a terrific job of fielding our questions and also some of our frustrations today. I appreciate it very much. And as I said at the beginning, I really appreciate all of the work that your organizations do to contribute to our national dialogue and decisionmaking on defense.

So thanks for being here, and please keep up the good work. I know I and other members of the committee depend on the work y'all do to help inform and educate us.

And with that, the hearing stands adjourned.

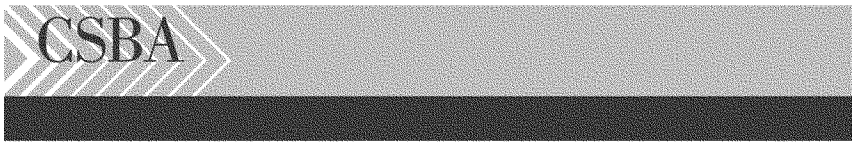
[Whereupon, at 12:20 p.m., the committee was adjourned.]

A P P E N D I X

February 11, 2015

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 11, 2015



February 11, 2015

STATEMENT BEFORE THE HOUSE ARMED SERVICES COMMITTEE
"JOINT THINK TANK STRATEGIC CHOICES EXERCISE"

By Todd Harrison
Senior Fellow, Defense Budget Studies
Center for Strategic and Budgetary Assessments

Chairman Thornberry, Ranking Member Smith, and Members of the Committee, I want to begin by thanking you for the opportunity to testify today. Approximately one year ago CSBA convened a group of scholars from four think tanks, represented here today on this panel, and asked them to develop alternative approaches to rebalance DoD's budget and capabilities in light of projected security challenges and fiscal constraints. The purpose of this exercise was to foster a greater appreciation for the difficult strategic choices imposed by the Budget Control Act of 2011.

The ground rules of the exercise were that each team could vary its defense strategy as it saw fit, using the 2012 Defense Strategic Guidance as a starting point. The teams used their own expertise to assess of the future security environment and associated risks, and they were free to modify and reprioritize roles and missions for the military accordingly. Based on these assessments of future threats, the teams were asked to prioritize the capabilities and capacity required in the military for the next ten years and beyond.

The teams then used an online tool created by CSBA to implement their strategy and capability choices. CSBA's Strategic Choices Tool allows users to quickly add and cut items from the current program of record using more than 800 pre-costed options. The tool allows them see the resulting budget and force structure impacts in real time. The tool does not assess risk or make judgments as to the sufficiency or wisdom of one's choices—such subjective assessments are better left to the experts.

Each of the teams was asked to rebalance the DoD budget over ten years, spanning FY 2015 to FY 2024, under two sets of budget constraints. The first set of constraints used the BCA budget caps currently in effect, and the second set used a slightly higher level of funding roughly consistent with the President's FY15 request. All adds and cuts were made relative to the PB14 baseline. This meant that if something was already funded in PB14, it could be cut. If something was not included in the PB14 baseline, then it could not be cut but it could be added.

Allowing teams to vary their strategies and using two sets of budget constraints for each team allowed us to discern which choices were budget-driven and which were strategy-driven. For example, each of the teams made different choices with respect to Marine Corps force structure, which suggests that these choices were dependent on the teams' strategies. In other instances, such as the decision to retire active component A-10s, all of the teams made the same choice, which suggests this decision may be independent of strategy—at least within the range of strategies pursued by these four teams.

We also looked for instances when individual teams made different choices under the two levels of budget constraints. For example, all of the teams made cuts to readiness funding under the full BCA budget constraints, but when the budget constraints were loosened they changed their readiness cuts. This suggests that cuts to readiness funding were budget-driven. Conversely, we found that each team made roughly the same cuts to personnel levels—particularly civilian and support contractors—in the two budget scenarios, which suggests that these personnel cuts were not budget-driven.

Much has changed in the security environment since this exercise was conducted a year ago, but the long-term fiscal constraints of the BCA remain the same. While budget constraints can force budget-driven decisions, we have found over the course of conducting dozens of strategic choices exercises like this one that budget constraints can also help force more explicit prioritization of capabilities. Despite the budget constraints imposed, all of the teams chose to make substantial investments in new capabilities—even though these investments required them to make larger offsetting cuts in other areas. For example, all of the teams increased spending on space, cyber, and communications capabilities. This suggests that the teams felt DoD's existing plans do not adequately address the challenges the military is likely to face in this area.

What our exercise helps illuminate—and what my colleagues will speak to in their testimony—are the core capabilities the military must protect, and, in some cases, increase investments in regardless of the budgetary constraints imposed. To quote the late RAND strategist Bernard Brodie, writing in a similar period of budget reductions and strategic change following the end of the Korean War, "We do not have and probably never will have enough money to buy all the things we could effectively use for our defense. The choices we have to make would be difficult and painful even if our military budget were twice what it is today. The fact that we are dealing with a lesser sum only makes the choices harder and more painful."

About the Center for Strategic and Budgetary Assessments

The Center for Strategic and Budgetary Assessments (CSBA) is an independent, nonpartisan policy research institute established to promote innovative thinking and debate about national security strategy and investment options. CSBA's goal is to enable policymakers to make informed decisions on matters of strategy, security policy and resource allocation. CSBA provides timely, impartial and insightful analyses to senior decision makers in the executive and legislative branches, as well as to the media and the broader national security community. CSBA encourages thoughtful participation in the development of national security strategy and policy, and in the allocation of scarce human and capital resources. CSBA's analysis and outreach focus on key questions related to existing and emerging threats to US national security. Meeting these challenges will require transforming the national security establishment, and we are devoted to helping achieve this end.

Todd Harrison

Todd Harrison is Senior Fellow for Defense Budget Studies at the Center for Strategic and Budgetary Assessments. Since joining CSBA in 2009, Mr. Harrison has authored a number of publications on trends in the overall defense budget, defense acquisitions, the defense industrial base, military personnel costs, military readiness, and the cost of the wars in Iraq, and Afghanistan. He frequently contributes to print and broadcast media and has appeared on CNBC, CNN, NPR, Al Jazeera English, and Fox News. He has been a guest lecturer for a number of organizations and is a part-time professor at George Washington University's Elliot School of International Affairs. Mr. Harrison is a term member of the Council on Foreign Relations and for the past two years has been named one of the Defense News 100 Most Influential People in U.S. Defense.

Mr. Harrison joined CSBA from Booz Allen Hamilton, where he supported clients across the Department of Defense, assessing challenges to modernization initiatives and evaluating the performance of acquisition programs. He previously worked in the aerospace industry developing advanced space systems and technologies and served as a captain in the U.S. Air Force Reserves.

Mr. Harrison is a graduate of the Massachusetts Institute of Technology with both a B.S. and an M.S. in Aeronautics and Astronautics. He combines his budgetary, technical, and engineering experience with a strong background in systems analysis to lead the Budget Studies program for CSBA.

DISCLOSURE FORM FOR WITNESSES
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U.S. HOUSE OF REPRESENTATIVES

INSTRUCTION TO WITNESSES: Rule 11, clause 2(g)(5), of the Rules of the U.S. House of Representatives for the 114th Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants), or contracts or payments originating with a foreign government, received during the current and two previous calendar years either by the witness or by an entity represented by the witness and related to the subject matter of the hearing. This form is intended to assist witnesses appearing before the House Committee on Armed Services in complying with the House rule. Please note that a copy of these statements, with appropriate redactions to protect the witness's personal privacy (including home address and phone number) will be made publicly available in electronic form not later than one day after the witness's appearance before the committee. Witnesses may list additional grants, contracts, or payments on additional sheets, if necessary.

Witness name: Todd Harrison

Capacity in which appearing: (check one)

○ Individual

◉ Representative

If appearing in a representative capacity, name of the company, association or other entity being represented: Center for Strategic and Budgetary Assessments

Federal Contract or Grant Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) or grants (including subgrants) with the federal government, please provide the following information:

2015

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
W91QF0-15-P-0010	Army War College	$55,000	Strategic Choices exercise

2014

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
SP4705-10-C-0019	National Defense University	$86,000	Secretary of Defense Corporate Fellows program
N00189-13-F-Z085	Department of the Navy	$120,987	Portfolio Rebalancing Exercise
HR0011-14-C-0112	DARPA	$252,778	System of Systems Transition study
HQ0034-09-D-3007	OSD/ONA	2,136,487	Multiple delivery orders

2013

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
HR0011-13-C-0028	DARPA	$174,939	Battle Network Competitions study
SP4705-10-C-0019	National Defense University	$84,000	Secretary of Defense Corporate Fellows program
HQ0034-09-D-3007	OSD/ONA	$1,200,000	Multiple delivery orders
W91QF0-13-P-0029	Army War College	$62,890	Portfolio Rebalancing Exercise
W91QF0-14-P-0013	Army War College	$57,915	Portfolio Rebalancing Exercise
GS-10F-022AA	National Commission on the Structure of the Air Force	$74,728	Portfolio Rebalancing and Strategic Analysis

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2015

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
Embassy of Japan	Japan	$110,000	Defense Planning Seminar

2014

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
Embassy of Japan	Japan	$100,000	Defense Planning Seminar
UAE	UAE	$125,000	Regional Security workshops
Embassy of Japan	Japan	$30,000	Meetings and briefings

2013

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
Embassy of Japan	Japan	$100,000	Defense Planning Seminar
Embassy of Japan	Japan	$30,000	Meetings and briefings

Written Statement of Dr. Nora Bensahel
Distinguished Scholar in Residence
School of International Service, American University

Submitted to the U.S House of Representatives Committee on Armed Services

Hearing on The FY16 Budget Request: A View From Outside Experts: "Alternative Budgets and Strategic Choices"

February 11, 2015

Chairman Thornberry, Ranking Member Smith, and distinguished members of the committee, thank you for inviting me to testify before you today. This hearing on strategic choices for the defense budget is very timely, since last week was an important week for national security and defense matters: on Monday, President Obama submitted his budget request; on Wednesday, Secretary of Defense-Designate Ashton Carter discussed that budget during his confirmation hearings; and on Friday, the White House released the long-awaited 2015 National Security Strategy. The unusual convergence of these important events offers a good opportunity to examine whether the strategic principles of U.S. defense policy and the resources being allocated to them are correctly aligned with each other.

This hearing examines the results of a strategic choices exercise conducted by the Center for Strategic and Budgetary Assessments (CSBA) last January. Although the results are a year old, they continue to have direct relevance for the 114th Congress in evaluating the tradeoffs of the defense budget request for Fiscal Year (FY) 2016. Those of us who participated in this exercise worked very hard to think through the strategic choices required given the immutable realities of the budget caps and the demands of the global environment, and I believe that our choices would be very much the same if we ran the exercise again today. Those choices, and the logic behind them, can help guide your efforts as you evaluate how to make the tough budgetary choices required to deliver the defense the nation needs.

The CSBA Strategic Choices Exercise

In January 2014, Todd Harrison of the Center for Strategic and Budgetary Assessments invited four think tanks to send teams to participate in a strategic choices exercise about the future defense budget, including the Center for a New American Security (CNAS). At the time, I served as the co-director of the Responsible Defense Program at CNAS, alongside Lt. General David Barno, USA (Ret.).[1] General Barno and I were chosen as the CNAS team for this exercise, which took place later that month.

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[1] General Barno and I both left CNAS in January 2015; we are now affiliated with the School of International Service at American University.

[2] According to the just-released National Security Strategy, "Over the next 5 years, nearly half of all growth

Mr. Harrison will provide detailed information about the details of the exercise in his testimony to the committee today, so I will simply note its most important elements. It covered a 10-year period, in two five-year chunks – the first Future Year Defense Program (FYDP), from FY 2016 to FY 2020, and the second FYDP, from FY 2021 to FY 2026. CSBA's online budget tool used the president's FY 2015 defense budget request as the baseline, so all spending increases and cut were relative to those numbers. The exercise consisted of two different budget scenarios: one where the full spending caps contained in the 2011 Budget Control Act (BCA) remained in effect, and a second scenario where the BCA caps had been modified to half of their original amount.

Our Team's Guiding Principles

The first step of the exercise involved identifying the strategic principles that would guide our budget choices. Our core strategic assumption was that the United States will remain a global power with global responsibilities for the next decade and beyond. The complex and unpredictable nature of international security environment will require the United States to protect and defend its national interests and the key principles of an open and free international order – such as maintaining freedom of access to the global commons.

We also assumed that the principles of the 2012 Defense Strategic Guidance, as reaffirmed by the 2014 Quadrennial Defense Review, would continue to guide U.S. national security policy into the future. Absent a major attack on the United States or other event that fundamentally changes U.S. threat perceptions and public support for large-scale military operations, we believe that President Obama and his successor – regardless of political party – are likely to prioritize U.S. interests in the same general way. Asia's importance to the United States will continue to grow, driven largely by the expanding web of interdependent economic interests[2] as well as growing security competition and the potential for conflict. The United States will remain heavily engaged in the Middle East, especially given the threat posed by ISIS, but will prefer to address these security challenges by using a combination of special operations forces, military trainers and advisors, and other specialized capabilities rather than conducting major conventional military operations with large-scale ground forces. The U.S. military will not be sized to conduct large, extended stability operations, given the lack of public support for these missions as well as the prohibitive personnel costs that this sizing criteria would impose. Other regions of the world, including Africa, Latin America, and Europe,[3] will be lower priorities for military engagement.

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[2] According to the just-released National Security Strategy, "Over the next 5 years, nearly half of all growth outside the United States is expected to come from Asia." The White House, *National Security Strategy*, February 2015, 24.

[3] We conducted the budget exercise in late January 2014, before the Russian intervention in Ukraine and its annexation of Crimea. Europe is clearly now a higher strategic priority than it was then, and the United States has already increased its military support to some of the eastern NATO allies and may reconsider some of its force posture decisions. Nevertheless, the strategic choices we made during the exercise would

Based on these guidelines, we identified two strategic principles that guided our team's choices during the exercise. First, **we would take more risk in the short to medium term in order to reduce risk in the long term**. This was a difficult but necessary risk tradeoff, since the exercise required us to work within the budget caps imposed by the BCA. The fundamental choice in any strategy is where to assign risk, given finite resources and the impossibility of accurately predicting the future. The United States will certainly face many unanticipated security challenges and threats in the next three to five years as hybrid warfare proliferates. Some of those already require the use of U.S. military force – such as the ongoing operations against ISIS – and others undoubtedly will in the future. But the BCA requires lower defense budgets in the earlier years of this 10-year period than the later ones. We judged that the United States is not likely to face a compelling adversary with high-end military capabilities during these earlier years.

That assessment led to our second principle: **we would prioritize investments in advanced military capabilities, especially emphasizing research and development in the first few years**. Since such capabilities require very long lead times, failing to make those investments today could limit the U.S. military ability to defeat potential high-end adversaries in the long term – the middle of the 2020s and beyond. While the likelihood of facing such an adversary remains unclear, being unprepared for that possibility would be extremely dangerous. Given the rapid pace of technological change, we concluded that DOD must also avoid locking itself into current generations of technology and improve its ability to find, develop, and field new technologies quickly and effectively.

Scenario 1: Strategic Choices Under The Full BCA Budget Caps

The First FYDP: 2015-2020

The budget exercise quickly made clear that **it was virtually impossible to meet the budget caps during the first few years of sequestration without cutting civilian and military personnel, readiness, or both.** Personnel and readiness consume so much of the defense budget that we were simply unable to stay within the budget caps by solely cutting procurement, force structure, armaments, and basing. People and force readiness had to be sacrificed in order to stay within the budget caps.

We chose first to cut the number of civilians employed by the Department of Defense (DOD) and the military services by one-third – the maximum allowed by the exercise. Between 2001 and 2012, the number of DOD civilians grew by five times as much as the number of active duty military personnel (17 percent vs. 3.4 percent), and their pay and benefits accounts for $74 billion of the annual defense budget.[4] It not clear why so many

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not have been significantly different had Europe been a higher priority – especially since many of our choices were driven by the high costs of military personnel, as discussed below.

[4] See the bipartistan letter to Congress on defense reform, which was signed by individuals from 10 different think tanks (including this witness), June 3, 2013, available at https://www.aei.org/publication/consensus-on-defense-reforms/.

additional civilians were needed during major combat operations in Iraq and Afghanistan; it makes even less sense to maintain those disproportionately high numbers, and those high costs, now that those operations are over and the defense budget is shrinking. In our view, military combat forces – the sharp end of DOD's spear – needed to be preserved even at the cost of deeply slashing civilian staff and overhead. By cutting the number of DOD civilians by one-third, the CSBA budget tool estimated that we saved more than $13 billion dollars a year for each of the 10 years in the exercise. Similarly, we cut the number of DOD service support contractors by one-third (also the maximum allowed amount by the exercise), which generated an additional $9 billion in savings.

Yet we also were driven to reduce the active duty and reserve end strength of all four military services. We cut active duty end strength by a total of 127,000 personnel, which saved almost $7 billion a year. The largest cut came from the Army, which we cut from 490,000 to 420,000, partially reflecting our strategic decision to assume risk in the first few years as well as the fact that the personnel are the Army's single largest expense by far. We also cut reserve forces in every service and the Army and Air Force National Guard, though the savings was far less (reflecting their part-time status). Again, we found that painful cuts to personnel of all varieties – uniformed, DOD civilian and contractors – were required in order to meet the budget caps numbers in the timeframe required.

Operations and maintenance costs constitute the second-largest chunk of the defense budget, after personnel, and much of that goes to training and readiness. We strongly resisted cutting these funds, since we believe that the United States has a responsibility to prepare its military forces as thoroughly as possible for the missions they are asked to conduct. Sending untrained or inadequately prepared forces into combat is dangerous and irresponsible. Yet sequestration forced us to make the same difficult choice that the services have made in recent years – training and readiness are expensive, and it is extremely difficult to stay within the budget caps without making some cuts to these funds. We did so as sparingly as possible, but still reduced readiness for all of the services except the Marine Corps.

We also cut air, sea, and land capabilities,[5] and force structure from all of the services. We made significant cuts to the F-35 program, since its hefty price tag crowds out many other investments across the force. We shrank the planned buy of all three F-35 variants, though we cut more F-35As (the variant used by the Air Force) than F-35Bs and F-35Cs (used by the Marine Corps and Navy respectively). We eliminated all Navy cruisers, one carrier air wing, and several destroyers and some Littoral Combat Ships (LCS). We cut two active armored Brigade Combat Teams (BCTs) and three active infantry BCTs, as well as five Marine Corps battalions (two artillery, three infantry, and one tank). We cut both active and reserve civil affairs units, and bought fewer MC-130Js for special

[5] The budget tool grouped capabilities into these three domains, instead of by service. We found this to be one of the most interesting aspects of the exercise; since we had to decide whether to increase or decrease spending for more than 800 individual options available, it was impossible to track how our changes affected individual services. We did not see how our choices broke down by service until the exercise was complete and we were briefed on the results.

operations forces (SOF). In many cases, these force structure cuts reflected the end strength cuts discussed above; it makes little sense to maintain force structure without the personnel to fill the units.

The exercise only gave us one option to reduce excess infrastructure: a "clean kill" Base Realignment and Closure (BRAC), where any savings would have to be realized within a five-year period. This option was designed to avoid the problems that plagued the 2005 BRAC, whose ultimate savings was 72 percent lower than initially estimated.[6] Reducing excess infrastructure would have been one of our highest priorities if the tool had included more options to do so. The Army estimates that it has 18 percent excess capacity, costing more than $500 million a year, and the Air Force estimates that it that it has 20 percent excess capacity.[7] **It is unconscionable to require these services to continue spending money on facilities that they do not need while the budget caps require them to cut end strength, training, and readiness – which puts American troops at unneeded risk.**

The budget cuts required by the BCA left very few dollars available for increased investments. Nevertheless, we increased spending in a few selected areas by limited amounts – even though any money that we added had to be accompanied by an equivalent cut somewhere else in order to stay within the budget caps. In accordance with our strategy, we made small additional investments in science and technology; cyber offense and defense; new F-15 Strike Eagles and F-16 E/F Block 60 (partly to offset the cuts to the F-35A); and unmanned intelligence, surveillance, and reconnaissance.

The Second FYDP: 2021-2025

Once we submitted our budget choices for the first FYDP, we then had to prepare a budget for the second FYDP. However, the online budget tool captured all the downstream savings from our earlier choices. Most notably, the large end strength cuts we made in the first FYDP saved so much money in the second FYDP that we were able to restore an additional 30,000 active Army personnel (for a total end strength of 450,000) and the force structure to effectively utilize them. We then restored the cuts we had made during the first FYDP to destroyers, LCS, long-range strike platforms, and aerial tankers. We also made greater investments in science and technology funding

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[6] In 2012, the Government Accountability Office estimated that the net present value of the BRAC was $9.9 billion, which is 72 percent less than the 2005 estimate of $35.6 billion. Government Accountability Office, *Military Base Realigments and Closures: Updated Costs and Savings Estimates from BRAC 2005*, GAO-12-709R, June 29, 2012, 4.

[7] The Navy has stated that it has already closed most of its excess facilities in previous BRAC rounds. See Katherine G. Hammack, Assistant Secretary of the Army (Installations, Energy and Environment), "2014 Green Book: The costly consequences of excess Army infrastructure and overhead," September 30, 2014; Jim Garamone, "Readiness, Modernization in Flux, Air Force Secretary Says," American Forces Press Service, April 23, 2013; and Secretary of the Navy Ray Mabus, testimony to the House Appropriations Defense Subcommittee, March 25, 2014.

(especially research and development); space, cyber, and communications;[8] SOF capabilities; and big-deck amphibious ships.

These reversals suggests that the budget caps are structured in a way that promotes poor strategic choices: it wastes time, resources, and especially human capital to make painful cuts to end strength and capabilities only to reverse them a few years later.

Scenario 2: Strategic Choices Under The Half BCA Budget Caps

The second scenario assumed that Congress passed legislation increasing the budget caps to about half of the BCA amount. This enabled us to make far better choices about where to allocate cuts and strategic investments – particularly during the second FYDP, when the downstream savings once again gave us much more budget flexibility. **The ability to preserve critical military capabilities under these modified budget caps is very significant.**

In accordance with the strategic principles identified above, we invested most of the additional funds available in this scenario into two key areas. First, we greatly increased funding for space, cyber, and communications. We added $32.6 billion to this category in the first FYDP and $101 billion in the second FYDP (compared to $1.3 billion and respectively in the full sequestration scenario). Most of these funds were spent on offensive and defensive cyber capabilities, satellites, and communications technologies.

Second, we also boosted spending science and technology to $48.8 billion in the first FYDP (compared to $14.5 billion in the full sequestration scenario). We invested most of this additional money in basic research, applied research, and advanced technology development, reflecting our view that DOD must avoid locking itself into current technologies and must instead develop and field next-generation technologies wherever possible. Interestingly, we spent less money on this category during the second FYDP than we did in the full sequestration scenario ($32.4 billion compared to $43.9 billion). That was largely because this scenario gave us enough additional funds to buy the capabilities we wanted in the first FYDP, instead of having to delay them into the second FYDP in order to meet the more stringent budget caps.

We only made two other notable changes. We restored modest amounts of ground force structure – preserving two more active infantry BCTs in the first FYDP, and adding one additional Guard or reserve armored BCT and one additional Marine artillery battalion in the second FYDP. We also invested more in special operations forces, including an additional Army special forces battalion in the first FYDP, and a wide range of specialized SOF transport capabilities and additional language training in the second FYDP. Almost all of our other budget choices remained the same as in the full sequestration scenario.

[8] Space, cyber, and communications constituted a single budget category in the exercise, though there were many specific choices within each of these three categories.

Implications for the FY 2016 Defense Budget

Exercises of this type have to simplify some extremely difficult real-world choices. The 800 choices available in the CSBA budget tool pale in comparison to the number of line items in the defense budget each year. Nevertheless, the strategic choices exercise succeeded at illuminating some of the biggest strategic choices and trade-offs facing DOD as it continues to transition from 13 years of war into a new environment of strategic uncertainty and budget constraints. We drew four important conclusions from this exercise that should inform members of Congress as they assess the administration's defense budget request for Fiscal Year 2016 and the services' annual posture statements.

1. **DOD is not investing in the right things for the future**. The exercise was not simply a budget cutting drill about meeting the spending caps. Instead, all four teams decided to rebalance the defense budget by reducing spending on many current priorities and reinvesting the newly-freed funds into other parts of the defense budget. Our team cut the planned defense budget by $716 billion over 10 years – far more than required for the spending caps – but added $384 billion in new spending in the full BCA scenario, and added $509 billion in the half BCA scenario.[9] This suggests that the planned DOD budget is overinvested in some key areas and underinvested in others.

   Even though each team selected different guiding principles and strategies, all four teams independently chose to:

   - Add investments in space, cyber, and communications
   - Cut some non-stealthy fighter aircraft (and three of the four teams also cut some stealthy fighters)
   - Retire F/A-18C/Ds, A-10s and U-2s
   - Cut some armored and infantry BCTs (from both the Active Component and the National Guard)
   - Cut some Marine tank battalions
   - Cut some Navy carriers and destroyers
   - Cut the number of DOD civilians and service support contractors
   - Reduce military end strength
   - Reduce readiness

2. **BRAC is essential.** A "clean kill" BRAC, as proposed in the exercise, offers significant rapid savings and avoids many of the pitfalls of the 2005 BRAC effort. Excess infrastructure is a cancer eating away at U.S. military capabilities and reduces the nation's essential warfighting strength due to the tradeoffs it imposes.

[9] In the full BCA scenario, the team from the American Enterprise Institute (AEI) cut $593 billion and added $263 billion; the team from CSBA cut $683 billion and added $352 billion; and the team from the Center for Strategic and International Studies (CSIS) cut $643 billion and added $311 billion. In the half BCA scenario, the AEI team cut $521 billion and added $322 billion; the CSBA team cut $609 billion and added $410 billion; and the CSIS team cut $517 billion and added $318 billion.

3. **DOD must shed unneeded civilians and contractors**. Since September 2001, the number of DOD civilians and contractors has ballooned. Their numbers need to be reduced before cutting active and reserve uniformed manpower. Deployable fighting power must be protected and overhead and staffs – often densely populated with civilians and contractors – must be slashed to save needed money and restore balance to the force.

4. **Military compensation must be reformed**. This is a hard but necessary choice. Pay, benefits and health care for the All Volunteer Force are eating an ever-larger share of the defense budget. The recent Military Compensation and Retirement Commission report gets offers good recommendations on how to do so while grandfathering all currently serving members of the military, both active and reserve. The commission estimates that its proposals would save $15 billion a year. If we had been able to include such savings in the exercise (which did not include an option for compensation reform), we would have reinvested those saved funds in needed military capabilities, much as we did in the half BCA scenario. Yet, cost savings is not the only reason to pursue these reforms. They may also improve retention, by offering military personnel more flexible options for the benefits that they care about the most, and by pushing the services to pursue a broader talent management approach to the personnel system.[10]

[10] See Katherine Kidder, "How Should Military Leadership Respond to Calls for Compensation Reform?" Task and Purpose blog, February 2, 2015, http://taskandpurpose.com/military-leadership-respond-calls-compensation-reform/.

Dr. Nora Bensahel

Dr. Bensahel is a Distinguished Scholar in Residence at the School of International Service at American University. She was most recently senior fellow and co-director of the Responsible Defense Program at the Center for a New American Security, where she previously served as deputy director of studies.

Dr. Bensahel is a widely published expert on U.S. defense policy, U.S. military operations and force structure, coalition and alliance operations, and leader development. Her recent publications include *Hard Choices: Responsible Defense in an Age of Austerity, Battlefields and Boardrooms: Women's Leadership in the Military and the Private Sector, The Seven Deadly Sins of Defense Spending, Building Better Generals,* and "Charting the Course: Directions for the New NATO Secretary General."

Prior to CNAS, Dr. Bensahel served as a senior political scientist at the RAND Corporation, where she authored numerous reports including *After Saddam: Prewar Planning and the Occupation of Iraq,* and "The Experiences of Foreign Militaries," in *Sexual Orientation and U.S. Military Personnel Policy*. Dr. Bensahel has also written several book chapters and has published articles in *Survival, Journal of Strategic Studies, Joint Force Quarterly, Studies in Conflict and Terrorism, Defence Studies,* and *European Security.*

Dr. Bensahel spent more than a decade as an adjunct professor in the Security Studies Program at the Edmund A. Walsh School of Foreign Service, Georgetown University, where she taught M.A.-level classes and received the Alumni Leadership Council Teaching Award. Dr. Bensahel is also a frequent commentator in well-known media publications and programs.

Dr. Bensahel received her Ph.D. and M.A. degrees from the Department of Political Science at Stanford University and her B.A., magna cum laude, from Cornell University. While at Stanford, she worked as a research assistant for former Secretary of Defense William J. Perry. She held fellowships at the Center for International Security and Cooperation at Stanford University and the John M. Olin Institute for Strategic Studies at Harvard University.

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Witness name: Nora Bensahel

Capacity in which appearing: (check one)

(•) Individual

( ) Representative

If appearing in a representative capacity, name of the company, association or other entity being represented: _____

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2015

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
None			

2014

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
continuation of			
2013 project			
below			

2013

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
Research contract	National Guard	$ 180,000	analysis of the
from 9/13 - 9/14	Bureau		National Guard and
			its relationship with
			the Active component

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2015

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment

2014

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment

2013

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment

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Statement before the U.S. House of Representatives
Committee on Armed Services

"THE FY16 BUDGET REQUEST: A VIEW FROM OUTSIDE EXPERTS: ALTERNATIVE BUDGETS AND STRATEGIC CHOICES"

A Statement by:

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February 11, 2015

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February 11, 2015

Introduction

Chairman Thornberry, Ranking Member Smith, and distinguished members of this committee thank you for the invitation to appear before you this afternoon. I would like to note that, as a bipartisan think tank, CSIS as an institution does not take specific policy positions. The views in my statement and in my comments this afternoon are entirely my own.

The Strategic and Budgetary Environment

The United States finds itself in a challenging global security environment, facing diverse and complex threats across a range of domains and regions. The strategy and budget exercise that we are referencing here today took place almost exactly a year ago, and already the world looks significantly different than it did then. Russia's annexation of Crimea and continued aggression in Ukraine, the rise of the Islamic State in Iraq and Syria, and the continued expansion of global extremism, ranging from Boko Haram to homegrown terrorism, are straining our ability to react to global events.

In revisiting the work of the four think tanks last winter, it is clear that this changing security environment already stresses many of the choices made in this exercise. It reinforces what my former colleague David Berteau said about this exercise when we first publicly discussed it on the other side of the Capitol last February, that we found ourselves forced into unacceptable choices with unacceptable risks.

This speaks directly to the challenge of sequestration-level budgets. U.S. security goals have not been reduced since the 2012 Defense Strategic Guidance (DSG) and the President's 2013 budget request were developed, and yet, $120 billion has been cut from that budget over the three years since, in addition to the $487 billion cut from the initial Budget Control Act caps implemented in 2012. This questions whether, even today, the 2012 DSG and 2014 Quadrennial Defense Review strategy is adequately resourced. In continuing to ask the military to do more with less, we have seen a shrinking of the breathing space between demand and capacity, which limits the Pentagon's ability to react and adapt to new challenges.

Hard Choices are Already Being Made

While I will address the hard choices the CSIS team made in this exercise under sequester-level funding, it is first important to recognize the hard choices already in evidence. We are already seeing the outcomes of choices made by and forced upon the Department of Defense over the past three years. The four chiefs testified on the ongoing impacts of these cuts two weeks ago in front of the Senate Armed Services Committee. They testified on the impacts they are already experiencing in training, manning, equipping and maintaining the force.

To date, the decisions already taken have simply bought time. With the force as currently constituted, continued sequester-level funding would change the impacts the force is

currently experiencing from holding patterns to entrenched problems. It will mean that the services will no longer just be adding to maintenance backlogs, but will have to accept that platforms will be more worn and less available as the new status quo. Sequester funding levels would likely exacerbate growing inequalities within the force, perpetuating "winners and losers" for the best training and equipment. Readiness will remain underfunded, opening up the potential that in a future conflict, units may be less prepared for the fight at hand. The bow wave of programs that have been trimmed and shifted right over the past few years will turn to even smaller buys and program cancellations of the next generation of platforms and capabilities.

The U.S. military will remain the preeminent military in the world. It will still be a military that in its totality is capable of projecting power, responding to crises, protecting U.S. interests, and defending the homeland. However, sequestration-level budgets have one clear cost, no matter what hard choices you make, no matter what strategy you pursue, and that cost is flexibility. So far during these budget cuts, we have asked the military to do more with less, and they have risen to the challenge. But this is not sustainable over the long term. Continued budget cuts will force the country to decide what we are no longer going to do. It must also be noted that the new National Security Strategy does not provide a framework for addressing these hard choices.

The Approach of the CSIS Team to Sequester-level Budgets

In the study we conducted with my colleagues here at the table, the CSIS team worked to tailor our cuts to the strategic priorities we identified. But I want to be clear, that many of the cuts we made were primarily a function of the budget levels required by the exercise, dictated by sequestration, and represented the least bad options available.

One thing to keep in mind is that the exercise we undertook limited our ability pursue management, acquisition, and compensation reforms. These are critical, because every dollar saved is one that can be turned into more capability. I applaud this committee for making acquisition reform a priority. But this exercise oversimplified the reality, because its design assumed that all savings from DoD initiatives and efficiencies are in fact realized, and DoD's estimated costs will not increase. As we know, these assumptions are much more tenuous in reality. So, any savings *not* achieved through program cuts, retirements, efficiencies, or other savings mechanisms therefore add to the amounts taken out of training hours, maintenance requirements or capabilities developed and fielded. In April 2014, Dr. Clark Murdock and I released a report on this subject called *Building the 2021 Affordable Military*, which enumerated the challenges posed by internal cost growth in a drawdown environment.

In the alternative budget analysis conducted last year, the CSIS team assumed the continuation of the 2012 Defense Strategic Guidance as a framework strategy, an approach validated in its realism by the Department's subsequent release of the 2014 Quadrennial Defense Review, which essentially echoed the 2012 guidance. We included a central focus on homeland defense, which included a greater role for the Guard and Reserve, a strong Asia-Pacific focus, centered on engagement, presence and reassurance, as well as illustrative reliance on partners and allies and retaining counterterrorism capabilities. We believe that a smaller, ready force is preferable to one with more force

structure or more new programs but is less prepared to enter the fight in the near term. Being prepared to fight the conflicts we face today is as necessary as being prepared to fight the wars of the future.

In the Asia-Pacific, we focused on increased presence and engagement—needed priorities to deter conflict, reassure allies, and build capability with partners. This presence included increased deployed capability, including expanded intelligence, surveillance and reconnaissance capability, undersea assets and significant investment in U.S. access through refueling, logistics, communications, basing and forward stationing agreements with partner and allies. In addition, we focused foreign military sales in the region on complementary and under-represented capabilities to increase total partner and allied capability and capacity.

There was no way to implement this strategy without risk, and the place the Defense Strategic Guidance says to take risk first is in ground forces. These were hard cuts to make, but given our guiding principles, we chose to assume that mobilization would be used in the event of a major land war, and thus significantly cut the size of the active Army. To hedge we made some decisions impacting the active/reserve mix, moving most of the units we took out of the active force into the guard and reserves to buttress four primary mission sets: homeland defense, humanitarian assistance and disaster recovery, as a mobilization base for a major contingency operation, and as a rotation base for forward presence and engagement. We sought to hedge for the reversibility of these cuts with distinct plans for retaining more senior non-commissioned officers and junior field grade officers in order to facilitate reconstitution of a larger ground force, and better coordination between active and reserve forces to improve mobilization and effectiveness operating together.

We focused the Marine Corps more on expeditionary and amphibious capabilities, as they took cuts as well. We took the Navy down to an eight carrier force, with the caveat of forward stationing one in the Pacific, to closely equate the amount of coverage we currently get from a ten or eleven carrier force. We then invested in smaller unconventional capabilities, including cheaper forward presence (like afloat forward staging bases), and special operations forces and their infrastructure.

We invested in protected space assets, including SATCOM, where we saw growing near term risk. We increased combat air patrols of current generation unmanned systems for better ISR coverage and availability. We also invested in cyber offense and cyber forensics as important parts of this new domain, although not in cyber defense. We believe that this is more of a national imperative, requiring private sector and non-defense public sector initiative, and more spending in DoD is only marginally valuable without commitment in those other sectors.

The takeaway for us was that, without question, sequestration forces you into choices you would not otherwise make and that those choices will force you to stop doing things you would otherwise do. Any strategy under these budget constraints that does not make hard choices about what to stop doing will simply be stretched too thin to be considered viable.

The FY 2016 budget and Today's Challenges

As I wrote in a recent CSIS piece, the FY 2016 budget request offers the beginning of a rebalance to the future. The budget constraints of the past three years have forced the Pentagon to push research and development, programs, construction, and maintenance bills into the future to accommodate near-term imperatives, disapproved efficiency proposals, and the lagging nature of other savings initiatives (including endstrength cuts). This year's budget appears to focus on two things: 1) recovering from three years of doing more while getting less; and, 2) rebalancing between the imperatives of responding to high daily demands and preparing the force for the future.

The President's FY16 budget submission focuses on investment in a new generation of systems, as well as the next generation of technologies. Pursuing a technology offset strategy that focuses investments in potentially high payoff science and technology and platforms identified as critical to the next generation of warfare is crucial. But, technology at the high end, while necessary, is insufficient.

These high-end technologies are critical for deterring and countering the least likely, but most dangerous threats. However, their value may be limited beyond these scenarios, with unclear advantage for use in counterterrorism or even grey area and hybrid warfare threats that characterize a number of current security challenges. U.S. dominance at the high end of conflict has driven adversaries to compete and challenge the U.S. at the margins and below the high-end.

U.S. political and military structures are designed to deter and counter use of force by nation states. Increasingly, the challenges are posed by non- or sub-state actors, or are ambiguous in nature, designed specifically to mask responsibility or avoid eliciting an unacceptable response. Given the specific desire to avoid war with the U.S., the actions by these states are intended to prevent the use of these high-end platforms by avoiding escalation. The adversaries at whom these high-end capabilities are targeted are engaged in operations short of warfare.

We are seeing these patterns emerge in both Europe and the Asia-Pacific. Russia is using psychological, financial, cyber, and political subversion in concert with irregular and covert warfare tactics to create facts on the ground without crossing any "red lines" that would evoke a military response from the U.S. and its allies. China is employing coercive tactics, including paramilitary, economic, and cyber activities, to shift the status quo in its favor, including contesting foreign activities within its exclusive economic zone, expanding its air defense identification zone, and occupying disputed areas.

While these provocations may not constitute an existential threat to the United States, they do undermine U.S. credibility in protecting international order, and are the kind of actions that could escalate to war, whether due to miscalculation of U.S. red lines or escalatory reactions by partner and allied states that draw in the U.S. Credibility, deterrence and low-intensity conflict are increasingly linked and pose new challenges to U.S. strategy and priorities. The reality is that today's security challenges require capabilities for the full spectrum of operations.

Conclusion

February 11, 2015

Mr. Chairman, Mr. Smith, Members of the Committee, the FY 2016 budget process will be a critical one for national security. We are reaching a turning point where the temporary impacts of sequester-level budgets are going to more permanently shape the force we have going forward. The way the budget debate has played out since the BCA has incentivized keeping force structure, building an acquisition bow wave, and deferring decisions.

If sequester-level budgets are to be the future, then the Department of Defense, with the help of this committee, needs to make decisions about what it is going to stop doing. That is the only way to shape a future force that is still ready for the challenges that continue to emerge. Hopefully, today's testimonies will help the committee better understand what a force looks like under these budget constraints and inform the budget tradeoffs that will be debated over the coming months.

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PROFESSIONAL EXPERIENCE

Center for Strategic and International Studies, Washington, DC — January 2011-present

Fellow and Deputy Director for Defense Budget Analysis, *International Security Program* (2014-present)
Fellow, *National Security Program on Industry and Resources* (2012-2014)***, Research Associate*** (2011-2012),
Conduct and manage national security research for large, nonpartisan think tank

- Author publications across broad range of issues related to the management and application of defense resources, including: defense budget trends, the strategic implications of resourcing decisions, health of the industrial base, supply chain management, acquisition, innovation, and international defense spending and markets
- Analyze budget, contracting and financial data underpinning CSIS reports and projects, using both spreadsheet and database tools
- Direct project workflow for and manage personnel of 8-person department, including managing deliverable schedules, leading project teams, coordinating across departments, interfacing with customers, and editing final products
- Manage full spectrum of program finances, including proposal and grant writing, $2M program budget, and interface company management on accounting and strategic planning

The Pennsylvania State University, University Park, PA — August 2009 – January 2011

Research Assistant

- Perform research and assist in class administration for Ambassador Dennis Jett

Measured Progress, Dover, NH — May 2008 - August 2009

Quality Assurance Coordinator

- Consult with Department of Education clients on program structure in preparation for launch
- Monitor project for accuracy, timeliness, and adherence to standards

Odyssey Consulting, LLC, Hartford, CT — October 2007 - August 2009

Data Analyst

- Develop comprehensive reporting tools for Staff Engagement Survey for high-level action at major university and analyze data for reporting results to senior administrators
- Perform web content and marketing materials development

Public Partnerships, LLC, Boston, MA — January 2006 - September 2007

Business Analyst

- Manage multi-million dollar accounts-payable disbursement contract with a state government agency, including managing workflow, interfacing with clients, and developing reporting tools
- Lead proposal writing efforts in response to new RFPs

EDUCATION

The Pennsylvania State University, University Park, PA

- Master of International Affairs (MIA)
- Office of the Director of National Intelligence Strategic and Global Security Scholarship, April 2010

Colby College, Waterville, ME

- Bachelor of Arts (BA) in Government and International Studies, with Distinction
- Magna Cum Laude

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Witness name: Ryan Crotty

Capacity in which appearing: (check one)

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2015

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant

2014

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant

2013

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant

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2015

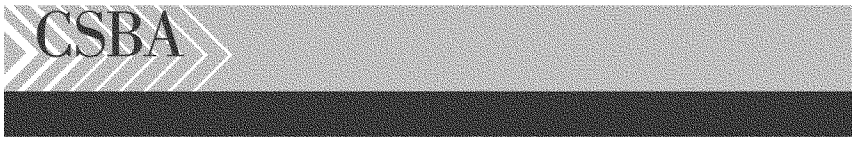
Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment

2014

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment

2013

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment



February 11, 2015

STATEMENT BEFORE THE HOUSE ARMED SERVICES COMMITTEE "ALTERNATIVE BUDGETS AND STRATEGIC CHOICES"

By Jim Thomas
Vice President and Director of Studies
Center for Strategic and Budgetary Assessments

Chairman Thornberry, Ranking Member Smith, Members of the Committee, thank you for the opportunity to testify before you. The U.S. military not only faces an enormous fiscal challenge but also a range of foreign threats and rapidly changing operating environments that necessitate rebalancing our forces and capabilities. In my testimony today, I will describe rebalancing measures adopted by a Center for Strategic and Budgetary Assessments (CSBA) team in the Strategic Choices Exercise we conducted with other leading defense think tanks last year. I will begin by describing our diagnosis of the global security picture and then proceed to the strategic approach we adopted to guide our rebalancing efforts. While the exercise required all teams to rebalance across the next two Future Years Defense Program, none of us would choose sequestration as the appropriate means to achieve rebalancing. Nevertheless, we hope that the exercise helps to illuminate some of the hard choices that Congress and the Obama Administration will have to make in the years ahead. Indeed, there are a number of important changes in the defense posture that may be needed regardless of the budgetary level that Congress ultimately sets for defense.

Strategic Context

Today, we are confronted hostile countries and non-state groups that challenge America's security commitments to its allies and friends around the world and that have the potential to threaten our nation more directly over time. At the top of the list are three revisionist states—China, Iran and Russia—intent on altering regional security balances in East Asia, the Middle East and Europe. They are pursuing anti-access and area denial (A2/AD) capabilities to prevent U.S. expeditionary forces from being able to defend America's regional allies and partners effectively. Revisionist powers are also building up both conventional forces and sub-conventional forces (e.g., "Little Green Men" and paramilitary forces) for regional power projection and to undermine the sovereignty of their neighbors. Some of these countries are, moreover, aggressively pursuing capabilities for counter-space and cyber warfare. While Russia and China are modernizing their

nuclear forces, Iran is suspected of maintaining a covert program to develop a nuclear weapons capability.

Non-state Islamist militant groups, including those affiliated with al Qaeda and the self-described Islamic State in Iraq and the Levant (ISIL), are intent on destabilizing and toppling already shaky regimes in North Africa, in the Levant, on the Arabian Peninsula, and in South Asia. While such groups lack the economic clout and broad-spectrum military means of the revisionist states, they have succeeded in carving out large swathes of territory as sanctuaries for themselves, and have generated revenue through oil sales, hostage taking, and criminal activities to finance their ambitions for sensational mass violence. These outlaw groups show no restraint in using extreme violence against Muslims and non-Muslims alike. Dealing with the threat posed by Islamist militant groups will require conventional forces supporting special operations forces to conduct unconventional warfare, working with and through local partners to roll back Islamist groups' gains and liberate areas that have been under their brutal control.

We also face a vastly more complicated set of nuclear challenges in what Paul Bracken has called the "Second Nuclear Era" than we did during the Cold War. There is arguably a greater danger today with more nuclear weapons-armed countries of an actual nuclear exchange between nuclear-armed countries or of terrorists acquiring and using nuclear weapons. Serious questions remain about the security of the nuclear forces in relatively new nuclear powers, like North Korea and Pakistan, where the possibility exists that a nuclear weapon could fall out of the positive control of central authorities during a period of internal disorder.

Both major powers and non-state adversaries alike are poised to exploit a number of ongoing trends in military affairs. Unlike previous military technologies such as nuclear weaponry, which were characterized by significant cost barriers and therefore were inaccessible to the vast majority of countries and all non-state actors, the following technological trends are areas in which the barriers to entry into the technological competition are falling quickly:

- Precision guidance. For much of the past several decades, the U.S. military enjoyed a virtual monopoly on precision-guided weapons. That monopoly is now gone and the barriers to entry into precision-guided strike have been lowered to the point that even non-state actors can gain access to guided rockets, artillery, mortars, and missile systems (G-RAMM) to conduct highly accurate attacks on fixed sites with far greater lethality and effective destruction. Precision strike capabilities can be used to hold at risk fixed sites like theater ports and airfields, as well as high-signature mobile forces like aircraft carriers, large surface ships, and non-stealthy aircraft.
- Supercomputing/big data. As with precision navigation, supercomputing is no longer the monopoly of the great powers. The commercialization of big data means that almost any country or terrorist group can gain access to fast, high-powered computational/analytical capacity that can be used for military purposes. For example, they can be used to create small yet capable cryptologic enterprises,

detect movement or change across a variety of domains (e.g., in the air or undersea), and rapidly analyze biometric data.

- Robotics and autonomy. Similarly, it is becoming easier for state and non-state actors to acquire and employ unmanned air, ground/surface and undersea systems. Already, we have seen groups such as Hezbollah employ small drones for surveillance. Commercial systems are increasingly available on a global basis. Moreover, other states and non-state actors may face fewer self-imposed restrictions on developing lethal autonomous systems.
- Cyber/electro-magnetic. A number of states have already developed relatively sophisticated means of cyber attack, and some like China are integrating cyber and electronic warfare to create new Integrated Network and Electronic Warfare (INEW) forces charged with conducting offensive cyber and electronic attacks. These capabilities can be used to attack enemy command and control and logistics systems as well as hold at risk a variety of strategic civilian targets such as critical infrastructure and economic targets.
- Space access. The commercialization of space means that more countries and even non-state groups will have access to space-based services including basic electro-optical imagery, satellite communications and navigation/location tools. Moreover, several countries have developed anti-satellite weapons, lasers and radio-frequency jammers to degrade or destroy satellites. Such capabilities threaten U.S. and allied spaceborne systems such as satellite communications, global positioning system satellites, and space-based surveillance systems.

All of these technological trends point to future military competitions with three key characteristics. First, it will be relatively easier and cheaper for one side to *deny* the use of a domain (i.e., land, air, seas, space and cyberspace/electro-magnetic spectrum) than it will be for its opponent to *control* the same domain in future conflicts. Second, there is a corresponding trend toward cross-domain denial operations. For example, a number of countries are developing land-based missile forces to target naval forces operating close to their shores. Finally, the United States appears to be in a disadvantageous position with respect to its current portfolio of forces and capabilities. Most of these trends are driven by global commercial trends that tend to level the playing field. Additionally, given that these trends favor domain denial, at least in the near term they will tend to affect the U.S. military the most of its capabilities, plans and doctrine have largely been optimized to conduct domain control operations: air superiority, naval mastery, land control, amphibious assault, space control and information superiority.

Given current U.S. defense budget projections, the United States will confront these challenges with a rapidly diminishing advantage in the scale of resources it is able to devote to defense competitions. Put another way, it is unlikely that the United States will not likely be able to pursue a "rich man's strategy" of simply outspending its combined rivals. It will instead need to craft a "smart man's strategy," to include leveraging the military potential of its current and prospective allies and partners to the maximum extent possible.

Strategic Objectives and Approach

In light of these threats and fiscal challenges, the CSBA team identified three overarching national objectives that should guide defense strategy:

- Maintaining access to and from those areas of the world where the United States has vital interests and preventing the domination of any of these areas by hostile powers;
- Creating regional security balances that favor the United States, its allies and partners, in part by building up the security capacity of friendly frontline allies and partners (e.g., creating "hedgehogs" with friendly A2/AD capabilities to deter hostile regional power projection and sub-conventional, creeping aggression); and
- Deterring, preventing or blunting terrorist and other catastrophic attacks on U.S. and allied strategic targets (e.g., population, critical infrastructure, financial system, way of life) to include increased resiliency measures.

The CSBA team decided that meeting these objectives will require the U.S. military to stay in the power projection business despite growing A2/AD and WMD challenges, while maintaining strong strategic deterrence and counterterrorism forces to deter or preclude catastrophic attacks on the United States or its allies. Given that a growing number of potential adversaries are acquiring capabilities aimed at denying our use of local airspace, bases and ports, near seas, space and cyberspace, a core assumption we made was that future operating environments are likely to be far more contested. Thus, we placed priority on access-insensitive, low-signature and highly distributed power-projection forces and capabilities that can operate effectively in non-permissive environments. These include special operations forces, long-range penetrating surveillance and strike aircraft, submarines, and cyber and electronic warfare systems.

The CSBA team also determined that the most profound change for the U.S. military in the decades ahead may be shifting itself from being a "global compellence force" designed to serve eviction notices if overseas allies are invaded, to a "global deterrence force" that holds out the prospect of swift, devastating retaliatory strikes against aggressors. This force would also have greater capabilities to more credibly deny aggressors their military objectives in the first place.

Since the end of the Cold War, the U.S. military has emphasized expeditionary compellence operations designed to evict aggressors after they have invaded an ally or partner and effect regime change. This approach emphasized the deployment of heavy combined arms maneuver ground forces to provide the preponderance of landpower but required months and local access to build up forces in theater. It also emphasized primarily short-ranged combat air forces that depended on operating from close-in theater bases, as well as high-signature naval forces that assumed they would have the ability to sail close to hostile shores.

Our strategic rebalancing approach had three major elements.

First, the CSBA sought to facilitate a shift from compellence to deterrence forces and better align U.S. military capabilities with the aforementioned military-technical trends.

That is, we emphasized power projection forces that appeared to be the most viable in denied areas to be able to hold out the prospect of prompt, high-volume punishing strikes in response to aggression or coercion, while increasing the ability of our own forces and those of our allies to conduct forward defense with air, sea, and land denial operations and thereby stymy the ability of regional adversaries to effectively project power themselves.

Second, CSBA's rebalancing strategy prioritized "punishment" forces that will be more capable of deterring aggression or acts of coercion across a number of regions simultaneously. CSBA made the following rebalancing choices to achieve this objective:

- Nuclear Capabilities. We opted to maintain all elements of the nuclear triad (bombers, submarines and land-based intercontinental ballistic missiles) as well as to continue the B-61 life extension, the long-range stand-off missile (LRSO) development and modifications to ensure F-35As as dual-capable aircraft.
- Conventional Strike. Complementing these measures related to our nuclear posture, we sought to maximize the joint force's ability to conduct long-range strikes from land, air, surface ships and undersea. Assuming the Intermediate Nuclear Forces Treaty would no longer be in effect, we acquired both ground- and sea-based conventionally-armed intermediate-range ballistic missiles. We accelerated development of the next generation long-range strike bomber (LRS-B); acquired a carrier-based unmanned combat air system (UCAS) with sufficient payload, stealth and endurance to operate from range into denied areas to conduct surveillance and strike missions; and fielded a land-based penetrating UCAS. We expanded undersea strike capacity with Virginia Payload Modules and Towed Payload Modules. We freed up Vertical Launch System (VLS) tubes on surface combatants for more strike systems by fielding Aegis Ashore for area ballistic missile defense and directed energy and railgun systems on ships for point defense. Beyond these measures, we sought to maximize the U.S. inventory of precision-guided munitions, including the acquisition of additional small-diameter bomb, long-range anti-ship missiles (LRASM), joint air to surface strike missiles extended-range (JASSM-ER), and conventional-armed LRSO.
- Non-Kinetic Attack. In addition to the kinetic systems described above, we chose to acquire large numbers of high-power microwave weapons and other electronic attack capabilities that could be maneuvered into denied areas by unmanned air, surface and undersea systems.
- Special Operations Forces (SOF). Lastly, we protected planned SOF growth in order to preserve direct action and unconventional warfare regime change options, as well as to cover down on certain areas of the world as we reduced conventional ground force structure. To enable SOF, we acquired new capabilities for stealthy insertion/extraction in denied areas as well as new weapons and protected communications to operate in denied areas.

Third, the CSBA team sought to improve the ability of U.S. and allied forces to deny adversaries the ability to commit acts of aggression and coercion or to consolidate any gains they might make. To reassure allies, we sought capabilities that would help to defend at the point of any attack and increase the resiliency of our forward posture, thereby strengthening crisis stability.

- Naval Capabilities. We leveraged U.S. undersea dominance and expanded undersea warfare capacity (increased the number of SSNs, UUVs, sensors) while introducing new UUV torpedoes and increasing U.S. offensive mine-laying capacity. We also invested in land- and sea-launched anti-ship missiles.
- Land-Based Denial Capabilities. A major area of emphasis for us was developing new land-based mobile forces with multi-purpose missile launchers to support coastal defense, air defense and deep strike land attack missions.
- Air-Space-Cyber Denial Capabilities. The CSBA team made significant investments in new electronic warfare systems and decoys. For space operations, we acquired co-orbital microsatellites and additional space situational awareness systems. For ballistic missile defense, we acquired additional air-launched hit-to-kill and THAAD interceptors. We sought to enable more distributed air operations within contested environments with F-35Bs. Finally, we invested in additional cyber defense and attack capacity to deny adversaries the ability to use or exploit cyberspace effectively.

Beyond improvements in our ability to punish and deny potential adversaries, we chose to make additional investments in logistics and to consolidate basing at home. We significantly increased funding for airbase hardening, aircraft shelters, rapid runway repair kits, and alternate dispersal airbases in the Pacific. We invested in overseas submarine infrastructure and new submarine tenders; expanded the Combat Logistics Fleet to support and sustain naval strike warfare; and develop an at-sea VLS re-arming capability. The CSBA chose to pursue a new round of Base Realignment and Closure (BRAC) despite the up-front costs of doing so as it was consistent with the overall strategy of buying down long-term risk.

Lastly, we envisaged new divisions of labor with our allies, particularly frontline allies facing the most acute threats. Allies should assume greater responsibility as "first responders" for their own defense and create "friendly" A2/AD networks to defend their sovereignty and provide sanctuaries for U.S. forward-deployed and forward-stationed forces. For its part, the U.S. military should continue to police the global commons and maximize combat strike power for deterrence within its alliance frameworks.

Where to take risk?

Consistent with the strategic shift we adopted in the exercise, the CSBA team chose to accept greater risk in forces and capabilities that are less suitable for operations in contested environments, including those most dependent on close-in theater access to be effective and those that had to mass to be effective. We relinquished on-demand capacity to conduct a second near-simultaneous major ground combat operation (substituting global strike options to deter or respond to the latter). In essence, we accepted risk "serving eviction notices" if allies or partners were invaded in order to strengthen deterrence through more capable punishment and denial forces. Accordingly, we made substantial reductions in ground forces. We also accelerated the divestiture of legacy Air Force and Navy short-range tactical combat aircraft and truncated the Littoral Combat Ship program. These cuts were relatively insensitive to a specific budgetary scenario.

In seeking a more capable future force, we also accepted greater risk in the first FYDP in terms of readiness. This was the most difficult choice we made with great reluctance. We also judged that it was the decision that would likely pose the greatest regret. Nevertheless, we opted to protect rebalancing measures to yield greater punishment and denial capabilities in the future as we assumed that the global security environment is likely to worsen rather than improve over the next decade. Had we not had to comply with the BCA spending caps, we would have chosen to maintain full readiness funding.

Conclusion

Regardless of the budget level Congress ultimately sets for defense, choosing where to invest or divest should be informed by the external security challenges we face and the choices we make about strategy. In this regard, likely future operating environments may serve as a useful lens for evaluating programs. In particular, forces and capabilities most viable to project power in contested environments may represent areas for preserving or expanding, while those that have been designed for relatively benign operating environments may be targets for divestiture.

About the Center for Strategic and Budgetary Assessments

The Center for Strategic and Budgetary Assessments (CSBA) is an independent, nonpartisan policy research institute established to promote innovative thinking and debate about national security strategy and investment options. CSBA's goal is to enable policymakers to make informed decisions on matters of strategy, security policy and resource allocation. CSBA provides timely, impartial and insightful analyses to senior decision makers in the executive and legislative branches, as well as to the media and the broader national security community. CSBA encourages thoughtful participation in the development of national security strategy and policy, and in the allocation of scarce human and capital resources. CSBA's analysis and outreach focus on key questions related to existing and emerging threats to US national security. Meeting these challenges will require transforming the national security establishment, and we are devoted to helping achieve this end.

Jim Thomas

Jim Thomas is Vice President and Director of Studies at the Center for Strategic and Budgetary Assessments. He oversees CSBA's research programs and directs the Strategic and Budget Studies staff.

Prior to joining CSBA, Mr. Thomas was Vice President of Applied Minds, Inc., a private research and development company specializing in rapid, interdisciplinary technology prototyping. Before that, he served for thirteen years in a variety of policy, planning and resource analysis posts in the Department of Defense, culminating in his dual appointment as Deputy Assistant Secretary of Defense for Resources and Plans and Acting Deputy Assistant Secretary of Defense for Strategy. In these capacities, he was responsible for the development of defense strategy, conventional force planning, resource assessment, and the oversight of war plans. He spearheaded the 2005-2006 Quadrennial Defense Review (QDR), and was the principal author of the QDR report to Congress.

Mr. Thomas began his career in national security at Los Alamos National Laboratory, analyzing foreign technological lessons learned from the first Gulf War. After serving as research assistant to Ambassador Paul H. Nitze, he joined the Department of Defense as a Presidential Management Intern in 1993 and undertook developmental management assignments across the Department of Defense over the next two years. From 1995 to 1998, he managed a NATO counterproliferation initiative and wrote three reports endorsed by allied foreign and defense ministers to integrate countering-WMD as a mission area into NATO post-Cold War force planning. From 1998 to 1999, he was seconded to the International Institute of Strategic Studies (IISS) in London, where he wrote *Adelphi Paper 333, The Military Challenges of Transatlantic Coalitions* (Oxford: Oxford University Press, 2000). From 1999 to 2001, Mr. Thomas worked in the Secretary of Defense's Strategy Office, playing a lead role developing the defense strategy and force planning construct for the 2001 QDR. From 2001 to 2003, he served as Special Assistant to the Deputy Secretary of Defense. He was promoted to the Senior Executive Service in 2003.

Mr. Thomas received the Department of Defense Medal for Exceptional Civilian Service in 1997 for his work at NATO, and the Department of Defense Medal for Distinguished Public Service, the department's highest civilian award, in 2006 for his strategy work.

Mr. Thomas is a member of the Council on Foreign Relations and the International Institute for Strategic Studies. A former Naval reserve officer, Mr. Thomas attained the rank of lieutenant commander.

Mr. Thomas holds a B.A. with high honors from the College of William and Mary, an M.A. from the University of Virginia and an M.A. from Johns Hopkins University's School of Advanced International Studies.

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Witness name: Jim Thomas

Capacity in which appearing: (check one)

○ Individual

◉ Representative

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Federal Contract or Grant Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) or grants (including subgrants) with the federal government, please provide the following information:

2015

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
W91QF0-15-P-0010	Army War College	$55,000	Strategic Choices exercise

2014

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
SP4705-10-C-0019	National Defense University	$86,000	Secretary of Defense Corporate Fellows program
N00189-13-F-Z085	Department of the Navy	$120,987	Portfolio Rebalancing Exercise
HR0011-14-C-0112	DARPA	$252,778	System of Systems Transition study
HQ0034-09-D-3007	OSD/ONA	2,136,487	Multiple delivery orders

2013

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
HR0011-13-C-0028	DARPA	$174,939	Battle Network Competitions study
SP4705-10-C-0019	National Defense University	$84,000	Secretary of Defense Corporate Fellows program
HQ0034-09-D-3007	OSD/ONA	$1,200,000	Multiple delivery orders
W91QF0-13-P-0029	Army War College	$62,890	Portfolio Rebalancing Exercise
W91QF0-14-P-0013	Army War College	$57,915	Portfolio Rebalancing Exercise
GS-10F-022AA	National Commission on the Structure of the Air Force	$74,728	Portfolio Rebalancing and Strategic Analysis

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2015

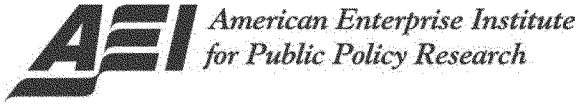
Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
Embassy of Japan	Japan	$110,000	Defense Planning Seminar

2014

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
Embassy of Japan	Japan	$100,000	Defense Planning Seminar
UAE	UAE	$125,000	Regional Security workshops
Embassy of Japan	Japan	$30,000	Meetings and briefings

2013

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
Embassy of Japan	Japan	$100,000	Defense Planning Seminar
Embassy of Japan	Japan	$30,000	Meetings and briefings



Statement before the House Armed Services Committee
On The FY16 Budget Request: A View from Outside Experts: *"Alternative Budgets and Strategic Choices"*

Too small, not ready: Building the defense budget in the face of crises in military capacity and readiness

Thomas M. Donnelly

Resident Fellow and Director of the Marilyn Ware Center for Security Studies

American Enterprise Institute

February 11, 2015

The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Testimony

HOUSE ARMED SERVICES COMMITTEE

February 11, 2015

Thomas Donnelly
Co-director, Marilyn Ware Center for Security Studies
American Enterprise Institute

Thank you, Chairman Thornberry, Mr. Smith and to the committee for the opportunity to appear before you today. I am as proud as ever to have served on the committee staff and to have worked in the American's People's House.

I prefer to use my allotted time not to tell you how we at AEI used the fabulous tool developed by Todd Harrison and his team at CSBA to rearrange the deck chairs on the Titanic, but rather how it helped us chart a new course. In fact, there was very little difference in the think-tank teams' approach to how to cut defense spending: such a severe lack of resources imposes a similarly severe lack of choices.

However, I think there is a big difference that our experiment in imagining a defense budget increase does reveal. In sum, we at AEI believe the current crises in capacity and readiness are more strategically important than the real, but longer-term, problem of capability. As the day-to-day guarantor of international security and global stability, and with clear and present challenges in the major theaters and domains of warfare, the United States cannot afford a "strategic pause" or an "offset" strategy that banks on "innovations" to come in "20YY." After several decades of defense cuts and, most mendaciously, the chain-saw massacres of sequestration, the U.S. military is too small and not ready to respond to a world of crises from Eastern Europe to East Asia. The problem is now, not tomorrow.

We also tried to face today's problems as they are, not as we wished them to be. That is, we disciplined our budget exercises by sticking to the traditional measures of American strategy set out in almost all post-Cold War defense reviews and reaffirmed late last year by the National Defense Panel – the bipartisan and independent commission this committee did so much to sponsor. In particular, we took the NDP's definition of strategic success – a global system built upon defense of the American homeland, preserving a favorable balance of power across Eurasia, access to the "commons" of the seas, the skies, space and cyberspace and the preservation of a decent international order as defined by America's core political principles – as our guiding framework. In doing so, we explicitly rejected the approach laid out in the President's 2012 Defense Guidance, which cannot achieve the goals laid out by the NDP, by previous QDRs or the National Security Strategies of recent administrations of both parties.

We further refused to narrow the U.S. military's operational "aperture," to wish away either unpopular security interests, such as the balance of power in the greater Middle East, or unpleasant forms of conflict, such as prolonged stability operations. We thought it wrong to invent a new America or pretend that the nature of war was other than what it is. You may disagree with our recommendations, but you cannot deny our version of reality.

Indeed, geopolitical reality is worse than it was when we last did this defense budget exercise: the extent of Russia's war on Ukraine or ISIS' grip on western Iraq and eastern Syria is clearer now than in February of last year. The Chinese navy and air force have become increasingly aggressive, harassing and menacing not only our allies but U.S. Navy ships and U.S. Air Force aircraft. We did anticipate a need for a larger military presence in the Middle East, but did not fully appreciate the need to return American forces to Europe or to move them eastward on the continent as we do now.

So, if we were doing the budget game now, we would amend our force-planning construct. Where we defined a goal of increased forward-based and presence forces in the Middle East and East Asia – a "two-theater" standard – we would now see a "three-theater" standard, and we would define the demands of the Middle East more as the need to "roll back" ISIS and the growing power of the many al Qaeda affiliates; containment is insufficient and the current "status quo" is unacceptable. And we would stress the need to deter Russia in Europe as well as China in East Asia. But we would stand by the need to retain in the continental United States a ready force capable of decisive intervention and a second "strategic reserve" force that can be mobilized in a timely way. Thus, today we would substitute a "3-1-1" force-sizing construct for the "2-1-1" model we used last year. If nothing else, the last year has reinforced our basic observation that the longer we wait to rebuild our defenses, the costlier that rebuilding will be and the tougher the strategic task.

Nor would we change our basic approach to budget building, which we summarized last year as "keep what you've got, buy what you can." Again, the force reductions and delayed modernization of the past generation have foreclosed the prospects for long-term planning. The world will not wait for us while we "transform" our forces. We cannot "offset" the immediate challenges posed by Russia, or ISIS, or Iran or China. And, as the president's budget anticipates further declines in research and development spending, hoping for "game-changing" innovations cannot be a sound basis for defense planning.

Lastly, let me conclude with what, to us, was the most surprising result of our "unconstrained" defense budget exercise: we couldn't spend enough money fast enough to reduce the strategic risk we face to what we thought was anything more than a "manageable" level, meaning that we remained very nervous about the U.S. military's ability to preserve the peace while fighting multiple wars. Although CSBA agreed to our basic premises, we were ourselves governed by the truth that our starved structures – both in the armed services and the defense industry – can only digest so much money so fast. So that, even while we wanted to increase defense budgets above the levels forecast by the Budget Control Act and sequestration by fully $780 billion over the next decade, that increase did not return the Defense Department to its "pre-BCA" program, nor did it reach the level of 4 percent of gross domestic product often held out as an eternally affordable burden on the American economy.

We found this to be deeply disturbing. It reminded us of how deep a whole we've dug for ourselves – and the people in uniform who go into harm's way to keep us safe.

As a footnote, I'd like to thank my AEI colleagues and, in the budget game my partners, Mackenzie Eaglen and Phillip Lohaus. Again I thank the chairman, the ranking member and the committee for their indulgence and look forward to your questions.

Thomas Donnelly, a defense and security policy analyst, is the co-director of the Marilyn Ware Center for Security Studies at AEI. He is the coauthor with Frederick W. Kagan of ***Lessons for a Long War: How America Can Win on New Battlefields*** (2010). Among his recent books are ***Ground Truth: The Future of U.S. Land Power*** (2008), coauthored with Frederick W. Kagan; ***Of Men and Materiel: The Crisis in Military Resources*** (2007), coedited with Gary J. Schmitt; ***The Military We Need*** (2005); and ***Operation Iraqi Freedom: A Strategic Assessment*** (2004). From 1995 to 1999, he was policy group director and a professional staff member for the House Committee on Armed Services. Mr. Donnelly also served as a member of the U.S.-China Economic and Security Review Commission. He is a former editor of *Armed Forces Journal*, *Army Times*, and *Defense News*.

Experience

- Member, U.S.-China Economic and Security Review Commission, 2005-2006
- Editor, *Armed Forces Journal*, 2005-2006
- Director, Strategic Communications and Initiatives, Lockheed Martin Corporation, 2002
- Deputy Executive Director, Project for the New American Century, 1999-2002
- Director, Policy Group, 1996-99; Professional Staff Member, 1995, Committee on Armed Services, U.S. House of Representatives
- Executive Editor, *The National Interest*, 1994-95
- Editor, *Army Times*, 1987-93
- Deputy Editor, *Defense News*, 1984-87

Education

M.I.P.P., School of Advanced International Studies, Johns Hopkins University
B.A., Ithaca College

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Witness name: Thomas Donnelly

Capacity in which appearing: (check one)

○ Individual

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○