

## Senate Armed Services Committee Holds Hearing on the Impact of Sequestration on Defense

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LEVIN:

Good morning, everybody.

The committee meets this morning to consider the impact of sequestration and a full-year continuing resolution on the Department of Defense. We welcome Deputy Secretary of Defense Ash Carter and Chairman of the Joint Chiefs of Staff General Martin Dempsey, who are accompanied at the witness table by the following friends and patriots: Undersecretary of Defense, Comptroller Robert Hale; Chief of Staff of the Army, General Ray Odierno; Vice Chief of Naval Operations, Admiral Mark Ferguson; Commandant of the Marine Corps, General James Amos; Chief of Staff of the Air Force, General Mark Welsh; and Chief of the National Guard Bureau, General Frank Grass.

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

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

Now, if sequestration and a year-long continuing resolution go into effect, the impact on the Department of Defense will be devastating. For example, the Army requested \$36.6 billion in its 2013 budget, but the continuing resolution rules, it gets only the F.Y. 2012 amount of \$30.6 billion. Sequestration would cut an additional \$6 billion.

Because the Army has already spent \$16 billion, it would have only \$8 billion left to get through the rest of the fiscal year. Moreover, unexpectedly high operational demands will require that as much as \$6 billion of the remaining funds be spent on overseas operations, leaving the Army with only \$2 billion for domestic operation and maintenance during the next seven months. It's budgeted for \$20 billion. So, it would have 10 percent of what it needs for O&M during the next seven months if the year-long C.R. and sequestration go into effect. That's just one of hundreds of examples.

We're going to hear today that the military services are already taking near-term actions to mitigate the impacts of the continuing resolution and the impending sequester. For example, the Department of Defense has already instituted civilian hiring freezes, reduced or eliminated temporary and term employees, deferred facilities maintenance, and begun canceling or postponing the maintenance of ships, aircraft, and ground vehicles.

If sequestration is implemented, they will begin to implement additional actions, including furloughs for most civilian employees, cutbacks in flying hours, steaming hours, and other military training, and cancellation of contracts. In addition, hundreds of Department of Defense investment programs, acquisition programs, and research and development projects may become literally unexecutable.

LEVIN:

Even if many of the short-term actions are still reversible if we act promptly, they will have long-term costs, and the longer Congress postpones action, the higher those costs will be. For example, the Army informs us that if sequestration continues through the end of the fiscal year, two-thirds of its brigade combat teams will fall below acceptable readiness levels.

The Air Force says it will not be able to support requirements outside of Afghanistan and will experience significant degradation in its air drop and refueling capability.

The Navy says the Nimitz and George H.W. Bush Carrier Strike Groups will not be ready for scheduled deployments later this year resulting in an indefinite extension of the Truman and Eisenhower deployments, with the resulting impact, the negative impact, on morale and retention.

By the end of the summer the Department of Defense says it will be unable to pay its TRICARE bills and will be in a position of having to deny service to military members' families and retirees.

Now there are bipartisan solutions to both the continuing resolution problem and the sequester threat. We cannot afford to look the other way and pretend there isn't a huge looming problem.

A year-long C.R. and sequestration will undermine the national defense. And the danger of the international situation was highlighted again yesterday, when North Korea had a very provocative nuclear test.

We cannot allow these actions, the sequestration and year-long C.R. to occur in the middle of this kind of a world. It will create a huge and unconscionable problem for our men and women in uniform and their families, and it is incumbent on Congress and the president to find a solution together.

Senator Inhofe?

(UNKNOWN)

(OFF-MIKE)

LEVIN:

Yes, thank you.

Senator Inhofe and I have talked about how to work through this morning's schedule. At 11:00, the Senate is currently scheduled to have it's perhaps four, maybe even five votes.

We're going to have very short question period after our opening statements and after your opening statements, our panel speaks. And it's possible, at least, that we could finish by a few minutes after 11:00. If that doesn't happen, we would then adjourn for perhaps an hour. come back, perhaps 12:00 or so, for about another hour.

I hope that doesn't happen. But it very well may. We have a large committee and everybody here is very much interested in the solution to the sequestration and the year-long continuing resolution threat that looms before us.

So, that's the best we're going to be able to do this morning. It's the Senate at its full glory.

And I now call upon Senator Inhofe.

INHOFE:

Thank you, Mr. Chairman.

There are 16 days remaining between today and March the 1st, 16 days that will define our military strength for the coming decades.

Just last week the secretary of defense abruptly announced that he has indefinitely delayed the deployment of the Truman Carrier Strike Group in the Middle East, denying the two-carrier force presence our commander in the region has urgently requested over a long period of time.

Admiral Winnefeld -- I'm gonna run through this pretty quick, Mr. Chairman.

Admiral Winnefeld, vice chairman of the Joint Chiefs, recently made a statement I want to make sure gets in the record here. He said, quote, "I know of no other time in history when we have come potentially down this far, this fast, in the defense budget. There could be for the first time in my career instances where we may be asked to respond to a crisis and we will have to say that we cannot do it."

The secretary of defense in the hearing that took place the other day on Benghazi made it very clear that we don't have the assets necessary to carry out some of the things to adequately -- adequately protect and defend and offer security to our people.

This is something that is not acceptable. This is what government's supposed to be doing.

The Department of Defense has absorbed almost \$600 billion in defense. We know all about that. With sequestration, with the C.R. problems that are there, we're looking at up to over this period of 10 years, a trillion dollars cut, and it can't -- it can't take place.

Mr. Chairman, this hearing is absolutely critical to allow the Joint Chiefs to provide their frank and honest assessment about the impact to the services.

The loss of capabilities and readiness and the mismatch between the resources and strategy, we're going to have to work together to ensure that the American people understand how serious this is. And that's the reason for this hearing today.

Last week, led by Senator Ayotte, Senators McCain, Graham and I introduced a bill to mitigate the impact of sequestration through the end of the fiscal year and provide the department with the flexibility to -- it desperately needs to operate under a continuing resolution.

It's not a perfect solution, but it is better than doing nothing.

There is a growing concern that the president will not seriously negotiate with Congress on a compromise to sequestration until after it takes place on March 1st.

And each member of Congress hears from the pain affected their -- to their constituents. But the real pain will be felt by the men and women serving our country who will be -- who will see the resources they need to defend the nation arbitrarily (sic).

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

Thank you, Mr. Chairman.

LEVIN:

Thank you very much, Senator Inhofe.

Secretary Carter?

CARTER:

Thank you,

Mr. Chairman, Senator Inhofe, all the members of the committee, I'm gonna be very brief, because I think what you'd like to get to and we'd like to get to is the specifics of the impacts of these two budget circumstances that we face, first of all sequestration, and the second the possibility of the -- a continuing resolution going on for the entire year.

I thank you for this hearing, and I mean that from the bottom of my heart. We welcome an opportunity to describe these impacts.

Secretary Panetta and I have been using the word "devastating" for 16 months now. And I testified last August to the consequences of sequestration if it was to occur, and now the wolf's at the door.

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

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

The problem comes in two tiers. The first is that sequestration, which is scheduled to kick in in just two weeks' time, requires us to subtract from our budget for the remainder of fiscal year '13, \$46 billion.

And, as the chairman indicated, to do it in a way, the worst way, managerially, namely to take equal shares or proportionate shares from each and every part of the budget, which is obviously not what you'd do if you were trying to be sensible from a managerial point of view.

Secondly, the continuing resolution that we're operating under now going into to five to six months, creates a different kind of problem for us. It has enough money in it overall, but, as you indicated, Chairman, it does not have enough operations and maintenance money.

And you put those two things together, and in this year, there is a drastic shortfall in the -- in the funding that we need to do training. And training in turn impacts readiness. And readiness is our capacity to fight in other places than Afghanistan. We are protecting funding for Afghanistan.

And, as you know, under sequester the president has decided to exempt military personnel from sequestration. And we've made some other limitations, and in my direction to the department, I've made some other limitations. We will protect the Wounded Warrior programs. In addition to the wars, we'll

protect urgent operational needs. We'll protect, to the extent we can, capabilities that are critical to our new defense strategy.

CARTER:

But the reality is, we can't protect much of which is of value to the country.

So in the near term, what you have this year in the next few months is a true crisis in military readiness. If the caps imposed that a company sequester are continued for the next 10 years as is the plan in the Budget Control Act, we are going to have to change our national defense strategy. Those cuts are too large, too sustained for us to implement the strategy that we crafted under the president's guidance just one year ago.

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

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

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

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

For our troops, for the force, the consequences are very real and very personal. I'll give you a few examples. I told you that we intend and the president intends to spare military personnel spending from sequestration spending, but the troops will feel this very directly in other ways.

For example, you reference the cancellation of a carrier deployment. We had to do that because we had to recognize we were going to run out of operations and maintenance funds in the Navy later in the year, and we made the decision to not deploy the carrier, but instead keep it here in the United States so that we would have the capacity to deploy it later if we needed it. If we deploy it now, we -- we would not have capacity to have a carrier deployed there in the future. We had to make that decision.

All the sailors on that aircraft carrier were ready to go, their families were ready to go, they'd made plans where they were going to live, for family care, schools, all those things that go with sending a loved one on a deployment. All of that needed to change in a few days.

Army units that are coming down, I visit them around the country, coming down -- back from Afghanistan are used to being at the higher state of readiness, being trained and ready. And what motivates them and

what should motivate them is mission. By the end of the year, and I think General Odierno will detail this, they won't be training in the way their profession requires them to.

So it will have a big effect on our uniformed people. For our much maligned civilians, you know, a lot of people think that DOD civilians are people that live in the Washington suburbs, and get up in the morning, and come in, go to work in an office building here. They're not. They're mostly people at depots and shipyards that are fixing our equipment. Forty-four percent of them are veterans, 86 percent of them don't live in Washington area.

And later in the year, in just two weeks' time, we have to institute a process of furloughing them, which we will do consistent with the law, and our requirements to you. But the net of it is that many of them will be furloughed for as many as 22 days before now -- before April 1st say and end of the year. In other words, a fifth of their paycheck gone.

So that's a real human impact. And I've said I -- I can't be furloughed under the law, because I am a presidential appointee, but I am going to give back a fifth of my salary in the last seven months of the year if other people in the Department are getting sequestered.

So there's a real human impact here. And the last impact I would like to call to your attention is that on our defense industry. You know, we depend on our defense industry because it, second only to the magnificent people we have in uniform, is what makes our military great. And the effects of sequestration are going to be very significant on the defense industry, and we see it already.

We depend upon them -- their -- them to be able to attract and retain science and technology talent. We need them to be financially successful. But many of our industry partners are beginning now to curb internal investment, maintain a very liquid position. The effects of this uncertainty are beginning to show up in terms of investor confidence in the industry, their ability to attract and retain workers. And the -- the requirement to stretch programs, reduce buy rates -- and all of that introduces the inefficiency into our procurement system. So for the force, military, civilian, and industry, the consequences are very direct and very devastating.

I just close by -- with an appeal that I'd ask you to convey to your colleagues in Congress. We need to deal quickly and broadly with our deficit problems in a balanced way that the president can support and Congress can support.

We need to de-trigger sequestration. We need to pass appropriations bills for all our federal agencies for that matter. I understand that there's probably not enough time to accomplish all of these far reaching actions before sequestration is triggered on March 1st, but I'd urge at least that Congress delay sequestration.

But as I emphasized, the cloud of uncertainty hanging over our nation's defense affairs is already having lasting and irreversible effects, and ultimately the cloud of sequestration needs to be dispelled and not just moved to the horizon.

Now however this is done, the magnificent men and women of Department of Defense and their families deserve no less. They need to know, with certainty, we will meet commitments. Our partners in the defense industry and their employees need to know we're gonna have resources to procure the world class capabilities they provide and that we can do so efficiently. And perhaps most important, allies, partners, friends, and potential foes the world over need to know we have the political will to implement the defense strategy we've put forward.

Thank you.

LEVIN:

Thank you, Secretary Carter.

General Dempsey?

DEMPSEY:

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

DEMPSEY:

If sequestration occurs, it will severely limit our ability to implement our defense strategy. It will put the nation at greater risk of coercion, and it will break faith with men and women in uniform. We have and will continue to be part of the nation's economic recovery. We are committed to remaining responsible stewards of the nation's treasures as we work to build an affordable and unrivaled joint force for 2020. To do this we need budget certainty, that is, we need the antithesis of sequestration -- a steady, predictable funding stream. We also need the time to implement reductions in a responsible manner over a manageable timeline. And finally, we need the flexibility to transfer and reprogram money to our highest priorities. Readiness loses when major portions of the budget are untouchable. Everything needs to be on the table.

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

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

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

Thank you.

LEVIN:

Thank you very much, General Dempsey.

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

General Odierno?

ODIERNO:

Thank you, Mr. Chairman, Ranking Member, other distinguished members.

Nearly 18 months ago, you charged me with leading our Army and providing you with my best military advice. Over the course of my 36- year career, I've commanded at every level, including division, corps and theater command in combat. I know what it takes to prepare this nation's sons and daughters for war.

I know what it takes to grow leaders in our Army. I know what is required to send soldiers into combat. And I've seen first-hand the consequences when they are sent unprepared.

I began my career in a hollow Army. I do not want to end my career in a hollow Army.

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

The fiscal outlook which the U.S. Army faces in fiscal year '13 is dire and, to my knowledge, unprecedented. In addition to the \$170 billion in cuts to the Army levied by the Budget Control Act of 2011, the combination of the continuing resolution, a shortfall -- excuse me -- the shortfall in overseas contingency operations funds for Afghanistan, and the sequester in fiscal year 2013 has resulted in a \$17 billion to \$18 billion shortfall to the Army's operation and maintenance accounts, as well as additional \$6 billion cut to other programs. All of this will come in the remaining seven months of this year.

The fiscal year '13 fiscal situation will have grave and immediate readiness impacts on all forces not serving in Afghanistan or forward in Korea -- impacts which will have a significant impact well into fiscal year '14 and beyond. Just a few of the actions we will be forced to take are, for example, we'll curtail training for 80 percent of ground forces. This will impact our units' basic warfighting skills and induce shortfalls across critical specialties, including aviation, intelligence, engineering, and even our ability to recruit soldiers into our Army.

We have directed an immediate Army-wide hiring freeze and we will terminate an estimated 3,100 temporary and term employees. We will furlough up to 251,000 civilians for up to 22 days. We will cancel third and fourth quarter depot maintenance, which will result in the termination of an estimated 5,000 employees, and delay -- and a significant delay in equipment readiness for six divisions at an estimated \$3.36 billion impact to the communities surrounding our depots.

For fiscal year '14 and beyond, sequestration will result in the loss of at least an additional 100,000 personnel, soldiers from the active Army, the Army National Guard, and the U.S. Army Reserve. Combined with previous cuts, this will result in a total reduction of at least 189,000 personnel from the force, but probably even more than that. These reductions will impact every Army base and every installation in the Army.

Sequestration will result in delays to every one of our 10 major modernization programs, the inability to re-set our equipment after 12 years of war, and unacceptable reductions in unit and individual training. These cuts will be felt across the entire country. Since 2008, the total Army budget will have been reduced by 37 percent. If sequestration is enacted, it will be greater than 45 percent.

In my opinion, sequestration is not in the best interests of our national security. It will place an unreasonable burden on the shoulders of our soldiers and civilians. We will not be able to execute the Department of Defense strategic guidance as we developed last year. I understand the seriousness of our country's fiscal situation. We have and we will continue to do our part. But the significance of these budget reductions will directly impact our ability to sustain readiness today and into the future.

We simply cannot take the readiness of our force for granted. If we do not have the resources to train and equip the force, our soldiers, our young men and women, are the ones who will pay the price, potentially with their lives. It is our responsibility -- the Department of Defense and Congress -- to ensure that we



never send soldiers into harm's way that are not trained, equipped, well-led, and ready for any contingency to include war. We must come up with a better solution.

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

LEVIN:

Thank you so much, General Odierno.

Now, Admiral Ferguson?

FERGUSON:

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

Simply stated, the combined effect of a year-long continuing resolution and sequestration will reduce our Navy's overseas presence and adversely impact the material readiness and proficiency of our force, thus limiting the president's options in time of crisis. Of equal concern, we will irreversibly damage the industrial base that we depend upon to build and maintain our ships and aircraft.

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

The impact of the continuing resolution is already being felt across the force as we reduce our operations and maintenance spending by \$4.6 billion over the remainder of the fiscal year. Because we are operating under a continuing resolution, we also do not have congressional authority to initiate new programs or adjust funding for ongoing programs. Over \$5 billion in planned F.Y. '13 investments are affected.

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

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

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

FERGUSON:

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

Like many Americans, our sailors, civilians, and their families are experiencing increased anxiety as a result of this fiscal uncertainty, such as the Truman Strike Group you alluded to, Senator. We must be mindful of the corrosive effect of this uncertainty on the morale of our people and be vigilant regarding the potential effects of sequestration on the propensity of our force to stay with us and of new recruits to join.

Accordingly, we will make every effort to sustain family and sailor support programs. We ask that Congress act quickly to reduce the magnitude of these reductions and replace the mechanism of sequestration with the coherent approach that addresses our national security interests. Additionally, we request the Congress enact an F.Y. 13 appropriations bill, or other legislation, that provides appropriate authorities for new starts and transfer authority between our accounts to address our immediate short-falls.

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

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

LEVIN:

Thank you very much, admiral.

General Amos.

AMOS:

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

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

Regarding strategy, maintaining a free international economic system and a just international order are lynch pins to our defense strategic guidance. The effects of disruption to this global order are readily observed in roller-coaster energy prices, fluctuating global markets, sovereign behavior, and economic uncertainty. Failing to provide leadership, in the collective security of the global order, would have significant economic consequences for the American people.

Worse, a lapse in American leadership would create a void in which old threats would be unaddressed and new security challenges would find room to grow. There should be no misunderstanding. The combined effect of continuing resolution and sequestration will have deleterious effect on the stability of global order, the perceptions of our enemies, and the confidence of our allies.

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

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

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

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

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

While military pay and allowances have been exempted in this round of sequester, the quality of life for the all-volunteer force and their families will, inevitably, suffer as we reduce family programs and installation maintenance.

Our civilian marines will, likewise, be impacted. The 95 percent of our civilian workforce that is employed, well outside the confines of the national capital region, are the guards at our gates, our budget experts who pay our bills, our acquisition professionals, the therapists who treat our wounded, and the experts who repair our equipment, and, finally, the teachers who instruct our children.

The economic impact to these families and their local communities are put at risk by either short-term furlough or long term termination. Protecting our ability to keep faith with our wounded warriors is a top priority in my Marine Corps. But even this, this most sacred of responsibilities, will increasingly be placed at risk.

In closing, allow me to articulate one more set of risks, the risk to our nation. In the final analysis, sequestration asks the most from those who have borne the greatest sacrifice. It invalidates the careful planning of the services to manage a predictable resource decline, replacing it instead with a dramatic resourcing cliff that guarantees inefficiency, waste in its accommodation.

The effects of sequestration, over the long term, will threaten the foundations of the all-volunteer force, putting the nation's security on a vector that is potentially ruinous. It dramatically shapes perceptions of our government, as both an employer and as a customer, reducing confidence throughout institutions.

There are -- there are all -- these are all risks that demand our immediate attention and action. By its scale, timing, and inflexibility in implementation, sequestration greatly aggravates our national risk profile, all at time of strategic rebalancing and change.

I urge the committee to consider the full range of risk created by this legislation and ask your assistance in mitigating them to the extent possible.

Thank you, and I look forward to answering your questions.

LEVIN:

Thank you, General Amos.

General Welsh?

WELSH:

Thank you Mr. Chairman, Ranking Member Inhofe, members of the committee. It -- it's always an honor to appear before you.

In line with what you've already heard, sequestration threatens to carve crucial capability from America's Air Force, with alarming and immediate effects on people, readiness and infrastructure, and, eventually, on modernization.

Sequestration represents (inaudible) potential \$12.4 billion top- line reduction for the Air Force in fiscal year 13, affecting every account and program. If it occurs, it will significantly undermine you Air Force's readiness and responsiveness today. It will significantly impact the Air Force civilian workforce in the coming months, and its impact on modernization will clearly affect the Air Force's future capability.

I know your staffs have the specific examples from all of the services, but just to highlight a few. Sequestration will result in an involuntary 22-day furlough, as the deputy secretary mentioned, that will affect 180,000 civilian airmen. That deprives our Air Force of over 31.5 million man-hours of productivity and specialized expertise this year. It will result in loss of over 200,000 flying hours.

While we will protect flying operations in Afghanistan and other contingency areas, nuclear deterrents and initial flight training, roughly two-thirds of our active-duty combat Air Force units will curtail home station training, beginning in March, and will drop below acceptable readiness levels by mid-May. Most will be completely non- mission capable by July. Sequestration will cut 30 percent of our remaining weapon system sustainment funds, which means we'll need to postpone approximately 150 aircraft and 85 engines from depot induction (ph), creating a backlog that could take years for us to recover.

WELSH:

The Air Force's global vigilance, reach, and power make it one of America's premier asymmetric advantages. The strategic agility and responsiveness require a high state of readiness. Sacrificing that readiness jeopardizes the many strategic advantages of air power.

And from a parochial Air Force perspective, sequestration will have an immediate effect on our ability to respond to multiple concurrent operations around the globe. something we've been asked to do many times in the past along with our sister services.

Longer term, sequestration cuts to Air Force modernization will impact every one of our investment programs. These program disruptions will over time cost more taxpayer dollars to rectify contract breaches and time delay and efficiencies, raise unit costs, and delay delivery of validated capabilities to warfighters in the field.

The Air Force is long overdue for reconstitution following two decades of war. Our inventory still includes aircraft that are as old as I am and our force is as small as it's ever been since becoming a separate service.

Now we find ourselves stuck in the unenviable trade space between readiness and modernization, and we need your help to get out. I urge the Congress to do all that's necessary to avert the arbitrary cuts of sequestration and to pass an appropriations measure for the current fiscal year. And I look forward to your questions.

LEVIN:

Thank you, General Welsh.

And now General Grass?

GRASS:

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

The greatest threat to the National Guard today is the continued uncertainty over their budget. I provided all 54 adjutants general with a summary of near-term measures to assist them in mitigating budget risk and threats to our readiness.

However, without near-term relief, our ability to respond to domestic and other contingencies will decline.

In personnel, we are implementing a civilian hiring freeze, and not renewing temporary civilian employees. We are planning to defer sustainment and maintenance requirements for our aircraft, vehicles and facilities.

The National Guard is reviewing every bit of overhead across our force. We are curtailing conference attendance and all travel and training that's not mission essential and produce readiness (sic).

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

In the area of personnel, a government civilian and military technician hiring freeze compounded by a possible 22-day furlough will limit our ability to train and maintain our National Guard forces.

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

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

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

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

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

LEVIN:

Thank you, General Grass.

We're going to start with a three-minute first round, and see whether or not that may actually get us to where we need to go.

And I'm going to yield to Senator Kaine.

KAINE:

Thank you, Mr. Chair, Mr. Ranking Member, my colleagues.

And to the military leadership assembled, I appreciate your courtesy.

Yesterday unrelated to this hearing I visited one of the premier medical facilities in the United States, the Fort Belvoir Community Hospital to visit with wounded warriors, their families and -- and also the medical professionals who treat them.

I had a round-table session with wounded warriors. And I said I'm a new senator, what would you like to either tell me or ask me? And I expected I would do a lot of talking about medical care for active duty and veterans.

They wanted to talk to me about budget uncertainty. They asked how budget uncertainty would affect the medical care they are receiving right now and the care their comrades in arms are receiving. They wanted to talk about budget uncertainty and TRICARE benefits.

Mr. (inaudible) Carter, your -- your testimony goes into TRICARE deficits by year end.

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

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

I wanted to just ask a couple of questions focusing. Admiral Ferguson, on some Navy issues.

The announcements dealing with the Truman and the Lincoln, I know one of the -- the priorities that you're focusing on is trying to make decisions that are in fact reversible, should Congress do our business and get this right.

Some of the decisions that you've already announced, how long can we persist down that path before these decisions start to have an irreversible effect on our -- our readiness and shipbuilding capacity?

FERGUSON:

Senator, beginning on February 15th, we will begin notification to private ship yards about deferrals of maintenance availability, up to the point and under the continuing resolution. If we sustain under a continuing resolution, those maintenance actions will be deferred.

If we do not get the authorities in the bill to, say, start work on the new construction carrier and to complete the overhaul or start the overhaul on the other carrier, three carriers now are tied up and delayed because we don't have authorities. And so, those are reversible with congressional action.

On the sequestration issue and with Truman, we had to look at what happens to the Navy under sequestration. Like the other services, we effectively stop training and certifications of our air wings.

We shut down four air wings on March 1st. After 90 days, those pilots lose their certification. And now it takes six to nine months to retrain them at a much higher cost. And in our assessment, it was more prudent for us to delay Truman to be able to deploy later this summer and for George Bush to deploy later this year or early next year, to provide continuous coverage in the Middle East rather than have two carriers now and then fall off completely in fiscal year '14.

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

KAINE:

Thank you very much.

(UNKNOWN)

(OFF-MIKE)

INHOFE:

I enjoyed visiting with you yesterday. And of all states, I think you're hit just about as hard as anyone.

There's a document here that I know has not been circulated to everyone. It's -- the Air Force alone shows what you lose in your state, then you throw the Navy in there, I mean, you're out of business.

I would like to ask the other services that did not provide us with this particular -- with this information in this format, what it does is show every state, how each is affected by each -- one of this. Could you -- would you try to get that for me?

I assume that's a yes.

Then, next, real quickly, you heard what I said about Admiral Winnefeld talking about we'd have to say we cannot, do you agree with his statement that he made to all of you? Anyone disagree with that statement?

OK.

Secretary Carter, I understand that the administration is planning toward the -- an end of March release of the fiscal '14 budget. Will you submit -- will your submittal to OMB, which I understand takes place today, including cuts from sequestration?

Just yes or no is fine.

CARTER:

No.

INHOFE:

OK. When you do this budget, would you be willing -- you've heard Senator McCain and me complain about all the stuff that's thrown into the defense budget, such as paying nine times as much per gallon for the Navy to buy 450,000 gallons and all of that.

Would you, not now but for the record, there isn't time now, but for the record send me something as to what your intentions are on putting things in the budget that do not really provide for our defense? We know we do have a -- a Department of Energy. Would you do that, just for the record?

CARTER:

Absolutely.

INHOFE:

OK.

Then, General Welsh, you and I have talked about this in Fort Smith, when we were over there, about the problems with -- that we're facing with the hollowing of -- hollowing of the readiness of the -- in terms of just pilot training, number of hours. Does this dramatically increase your-- your -- your problem?

And I -- what I'm trying to get to here, and we may have to get it for the record, readiness equals risk equals lives. Have you put into any kind of a quantitative amount of what this could cost in terms of lives or of risk?

Just yes or no is fine.

WELSH:

Yes, sir.

INHOFE:

All right. Will you make sure we get that?

WELSH:

Yes, sir.

INHOFE:

And for the record, the General Odierno, both you and General Amos talked about readiness, readiness, readiness. And I appreciate that. Again, readiness, risk and lives.



Would you do the same thing in your services? Or have you done this already?

ODIERNO:

Yes, sir.

INHOFE:

All right. Appreciate that.

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

DEMPSEY:

Yes, Senator, I will.

INHOFE:

Thank you very much.

LEVIN:

Thank you very much, Senator Inhofe.

Senator Reed?

REED:

Thank you very much, Mr. Chairman.

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

CARTER:

Right. Sequestration per se, the -- the item-by-item cut, only applies to fiscal year '13. But the Budget Control Act does a lot more than cut the F.Y. '13 budget. It cuts the defense budget by a large amount, roughly \$50 billion in every year for the next 10 years. That's the part that turns a readiness crisis into a change of strategy. It's a lot of cut on top of what we've already done.

REED:

So the immediate challenge is sequestration, and also obviously, the -- the either omnibus or continuing resolution for the rest of this year. But longer term in strategic concepts, we also have to reevaluate and perhaps redo the whole Budget Control Act strategy.

CARTER:

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

REED:

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

CARTER:

What we're -- sequestration and the cuts only apply to unobligated funds. So if we have already entered into a contract, that contract is still good unless we choose to break it because of everything else that's going on.

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

And as Admiral Ferguson pointed out, a lot of our ship actions are constrained account by account in the continuing resolution. He can't do anything to start a new ship. He's only allowed to build the same ship he built last year, according to the (inaudible) any sense.

REED:

Let me ask a related question, too, is that assuming a resolution somewhere down the road, you're going to have to probably spend more money re-starting activities, recalling personnel, making up for training by doubling up (inaudible) the air, land, sea forces. Is that another consequence?

So the irony here could be is that these savings disappear quite rapidly when we go back to business.

CARTER:

Yes, this costs money because it wastes money. Starting, stopping, going up, doing down, stretching out programs is inherently inefficient. And so all of our managers who try so hard to use the taxpayer's dollar the best way, get things just so, work with our industry partners to get a good deal for the government -- all that stuff goes in the waste basket in these circumstances. It's really a shame.

REED:

Thank you for your testimony.

Thank you, Mr. Chairman.

LEVIN:

Thank you, Senator Reed.

Senator McCain?

MCCAIN:

Thank you, Mr. Chairman.

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

This is kind of, would you say, Ash, a kind of an Orwellian experience here? We are looking at -- at these draconian cuts. Already some of the manifestations of requirements have taken place. Meanwhile, it's the day after North Korea tests another nuclear weapon. Iraq is unraveling. The Iranians just rejected the vice president's proposal last weekend for one-on-one talks concerning nuclear weapons. Libya is obvious; Mali, Egypt in a state of unrest, now Tunisia.

We are probably in a more unsettled period since the end of the Cold War that certainly I have ever seen. Would you agree with that assessment?

CARTER:

I absolutely agree.

MCCAIN:

Meanwhile, we are now -- the signal we are sending, frankly, to the Iranians is, "Don't worry, this aircraft carrier is not coming." This is really a disconnect the likes of which I have never seen before.

Now, I want to talk about the sequestration because Senator Graham, Senator Ayotte and I travel around the country warning about the effects of sequestration. We went to a whole lot of places where the men and women in the military are stationed. How can we possibly do this, cause this uncertainty in the lives of the men and women who are serving -- the latest being the cancellation of the deployment of the aircraft carrier?

Meanwhile, the president of the United States when asked said, "Won't happen, won't happen"; during the campaign, "won't happen." We were worried for a long time that it was going to happen. And it's disgraceful to treat the men and women in the military, who we all speak with such advocacy and passion on their behalf, to be subjected to this kind of day-to-day kind of uncertainty that they volunteered to serve this country.

But we owe them a certain amount of certainty as to how they are going to be treated, what their assignments will be, and frankly, what their future will be. Would you agree?

CARTER:

I absolutely do.

MCCAIN:

Well, then I think wouldn't you say -- and by the way, the WARN Act. OMB put out the word "don't worry; sequestration isn't going to take place; you don't have to comply with the WARN Act." The WARN Act requires 60 days, in some cases 90 days, notification to employees that they're going to be laid off. I think that we've just placed the federal government in a state of a very significant possibility of owing a lot of money to a lot of the military.

But most importantly, and I don't expect you to respond to this, but we elect presidents for a reason, and that's to lead. It seems to me that it's now time for the president of the United States to call the leaders of Congress over to the White House and say, "Look, if you accept the word of every one of our military leaders as to the effect of sequestration; if you accept the fact that the world is more -- becoming more and more dangerous, that this is the worst time, and we should sit down and come to an agreement to prevent the sequestration, if only -- not only for our national security, but for the benefit of the men and women who are serving this nation."

And I'd be glad to hear any response you might have. And I know that it would be difficult for you to respond to one of my assertions.

CARTER:

Well, thank you. But I first of all thank you and Senator Ayotte and Senator Graham. I remember when you took that trip, and I was very grateful to you because we have, I think, felt -- at least I have felt like we have been voices crying in the wilderness now for 16 months. And as I said, you know, this committee is an exception because each and every one of you knows the Department of Defense, knows national security, and can really be aware of what we -- what we face.

You know, there was a time when I thought that sequestration wasn't likely either. I used to say that I was hopeful and optimistic, and now I say -- then I said I was just hopeful. And now I'm not even hopeful, because we're only two weeks away from it.

So, we now -- we have for some time not only been planning for it, but taking action. And that's what you hear described is even though it hasn't kicked in, in order to soften, to the extent that's possible, in the last few months of the year the effects of this, we're starting to take actions now. That's what you see in the aircraft carrier. That's what you see in other things.

If sequester goes away on March 1st or shortly thereafter, all these actions will have been unnecessary and inefficient, as was pointed out earlier. But we feel like we have to take them now because we can't rule out the possibility that we're really going to do this.

MCCAIN:

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

(UNKNOWN)

Yes.

MCCAIN:

I thank you, Mr. Chairman.

LEVIN:

Thank you very much, Senator McCain.

Senator McCaskill?

MCCASKILL:

Thank you, Mr. Chairman.

You know, one of the things this place is good about is when the moment comes that we have to compromise, yelling about how we got to this place in the first place. And I want to gently point out for the record that both the ranking Republican on the Senate Armed Services Committee and the chairman of the House Armed Services Committee voted for the Budget Control Act.

So when we voted for this, and there were 28 Republican senators that voted for it, we all knew that there would come a day of reckoning, that we would have to sit down and compromise. And I certainly hope that the testimony -- the dramatic testimony you've given this morning, will help us get to that place.

We will not avoid the sequester if we just gonna all draw lines in the sand and say, we're not cutting anything, or we're not going to do any revenue. And if we are willing to acknowledge that the price our country is going to pay is one we're not willing to pay, then it seems to me this is the moment of compromise. And the reason we were so optimistic it wouldn't happen is because most of us thought when the time comes, we'll compromise.

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

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

CARTER:

If I may, you were right obviously that the mechanism of sequester which makes us cut everything in proportion is dumb from a -- any managerial point of view. I have to say, though, at this point in the fiscal year, it doesn't matter that much. We have to go everywhere to get that \$46 billion at this point. We -- we kind of have to -- anywhere you can get the money, we have to go and get the money.

Because remember, in many places we are -- we -- we can't access it, we can't lay people off, we can furlough them. We can't furlough them for more than 22 days, we can furlough them for up to 22 days. The president has, I think, rightly exempted military personnel. By this time in the fiscal year, a certain amount -- a large amount of OMB funding has been obligated or is constrained. So all we have left is the room where the unobligated reserve, which is as -- as General Odierno explained for the Army is -- is tiny.

So he has -- he's out of Schlitz. He has no room to go. So he's less constrained by the mechanism of sequester, and just right now we have to go everywhere there are dollars to take. So it doesn't help that much. Although I appreciate any unfettering we could get, but it doesn't help all that much at this point in the year.

MCCASKILL:

Well, if -- if there is any specifics you can give us about whether or not it would help to at least give you that discretion, if there's any specifics you can provide us, that would be great.

My time is up. But I do want -- because there's very rarely do we have all of you here at one time, and while you're all here, I mentioned this to a couple of you, I certainly -- if you have not yet seen the documentary "The Invisible War" I certainly hope every one of you see it before the next chance I have to

visit with you. And if you have specific recommendations after seeing that movie on how we can all look ourselves in the mirror and feel better about the victims of sexual assault within the military, I would love to hear your specific ideas.

I am determined to make a difference in that regard over the next year and if you haven't seen the movie, it is nominated for an Oscar for one of the best document trees this year, and I certainly hope you all see it.

Thank you.

INHOFE:

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

MCCASKILL:

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

LEVIN:

Thank you.

Senator Ayotte.

AYOTTE:

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

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

DEMPSEY:

I'll take a shot at that, Senator. From where I sit today, it sure feels like a 10. I mean, somebody -- some think tank around town might want to negotiate me down to eight, but it is really serious.

AYOTTE:

Asking for your professional judgment.

DEMPSEY:

Ten.

AYOTTE:

Is there any disagreement on the panel on that?

So we are at a place right now where we are facing very dangerous times around the world. Would you all agree that?

Not a time to take a peace dividend.

DEMPSEY:

Yeah, absolutely. And if I could -- because I didn't get a chance to respond, I -- the issue of the mechanism is one thing. The magnitude of this thing, even if we got all the authority in the universe to deal with it, this would be the steepest, biggest reduction in -- in total obligating authority for the Defense Department in history, at a time I will personally attest more dangerous than it's ever been.

AYOTTE:

I thank you. One of the things I think was mentioned by Senator Inhofe on the co-sponsor along with others on the panel of a bill that would come up with some alternative savings to provide at least a resolution of sequestration for the end of the fiscal year, so there are many of us that are trying to work towards solutions.

And as Senator McCain mentioned, we did traveled the country over the last 16 months, having heard from all of you about concerns about what this would do to our men and women in uniform. I want to ask Admiral Ferguson about a particular impact, and that's on Virginia class submarines and our attack submarine fleet. What do you believe will be the impact on that -- number one, on the attack submarine fleet, the Virginia class submarine, and on four public ship yards.

FERGUSON:

Well, Senator, I believe that under a C.R. and sequestration, you'll see us take action to defer repairs of Miami in Portsmouth Naval Shipyard. You will see us make every effort to preserve our undersea dominance, and we've issued contracts in fiscal year 2013 for submarines, those will be unaffected in the procurement.

However, there's longer term consequences. For example, there's a moored training ship that's effected by C.R. and sequestration that has an impact in training future nuclear operators. In a few years, if we do not get authority to build that training ship, we'll lose production of 1100 nuclear operators a year, for example.

You will see us, by the end of this year, with a hiring freeze. We lose about 350 workers a week, 1400 a month out of our civilian industrial base, and we'll be down 3,000 in our shipyards. And if we furlough, we will furlough the workers in our shipyards, which will cascade through on the work completion rates of the submarines and the ships going through overhaul in those public yards, and really impact, in a cascading way, the readiness going forward.

AYOTTE:

I thank you, Admiral. I am sure my colleagues, certainly Shaheen, Senator King share my concerns about the impact and the importance of our shipyards, and of course, the important work done at the Portsmouth Naval Shipyard in maintaining our Virginia class submarines. So I appreciate the insight that you provided us there.

Again another impact showing us why this is important our men and women in uniform and our national security aren't impacted by sequestration.

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

LEVIN:

Thank you very much Senator Ayotte.

Senator Udall?

UDALL:

Good morning, gentlemen. Thank you for being here.

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

And I want to associate myself with the remarks from the senator of Missouri. She's spot-on. Many of us, in both parties, voted for the BCA in the summer of 2011 to avoid defaulting on our good credit rating. It's on our shoulders to put the national interest ahead of the petty party sniping that's been occurring in this town, as regards to the sequester.

And I -- I really want to say that, frankly, if we allow this kind of harm to be done to our country, it won't make a damn bit of difference who wins the majority in 2014. So let's solve this problem. If we can't reach compromise, then let's work with you all to mitigate the effects.

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

ODIERNO:

Yes -- yes, Senator. We are -- currently we have funded the next group of units that would go into Afghanistan. We cannot fund the group that comes after them. And that would be done in the later part of '13. So what that means is, the initial replacements that go in in the middle of '14 are funded. Those that would come in later in the year are not. And so, it would take them much longer to be prepared.

And so, we'll have to make a decision somewhere along the line, to either extend those already there, or send people there that are not ready. And I choose not to send people there that will not be ready. So that's the cascading impact we have on this real problem we have in the '13 budget, in terms of operations and maintenance funds.

UDALL:

Thank -- thank you for that clarification. Another reason we've got to get this right here in the Congress.



General Welsh, if I could turn to you. Of course, we proudly host space command in Colorado Springs. Last week you issued a press release that warned that sequestration could lead to major cuts to essential programs.

And I want to quote here, quote, "reduce some missile warning and space surveillance 24/7, our operations to eight hours per day, operations impacting national missile warning, missile defense, space situational awareness, and the intelligence community." End of quote. That would indicate that space command wouldn't be able to fulfill their basic mission requirements if sequestration goes into effect.

Is -- is that an accurate assessment? How would ballistic missile warning, for example, be affected by reductions in space surveillance operations? And I would add, I just walked through the ante room, and, of course, our friends in North Korea are at it again. They've just had a test. You might speak, specifically, about that situation, as well.

WELSH:

Thank you, Senator.

Space command, actually, and their space operating budget has the advantage of being -- of having a fairly wide latitude of where to take the money from under the cuts of sequestration. Compared to some of our other accounts, this actually gives them a little bit more freedom.

So what they've done is, they've removed -- when you talk about going 24/7 coverage at some of these sites down to eight hours a day, as opposed to 24 hours a day -- what they've been able to do is do that in the sites that provide redundancy and provide capacity in their system.

So missile warning is not impacted. We still have the capacity to do that. That threat to the nation will (?) be detected. But the redundancy in that capability is what's now impacted in the background. It's -- it's -- it's the operating funds to power radars for 24 hours a day. When they are cut, we have to take that money from somewhere. We've taken it from the backup redundant part of the systems. The secondary capabilities are those major radars. That's what's actually happened.

UDALL:

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

Thank you, Mr. Chairman.

LEVIN:

Thank you, Senator Udall.

Senator Fischer.

Yeah, we're going to need you to use another mike, I'm afraid. Maybe you could switch seats.

(UNKNOWN)

We'll scoot over.

FISCHER:

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

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

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

CARTER:

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

It -- if -- the budget cuts that begin with sequestration and extend over ten years are actually visited upon us over those ten years. I can't imagine that we won't have to also look at the nuclear part of our fore-structure in order to accommodate some of those savings. And I --you know, that's -- that's true also of the Department of Energy, which we don't have responsibility for, but does have responsibility for the nuclear arsenal. So they're going to get hit with budget cuts, too.

The only thing I'd say is, you know, nuclear deterrence is pretty important. So it's the last thing that you want to do serious damage to. So I would imagine that the Department of Energy, and the leadership there, and certainly we in the Department of Defense, will try to protect our nuclear capabilities to the maximum extent possible. But there may be some effects on some parts of it.

You know, General Welsh was just describing that. So, I mean, it's not critical. It doesn't -- he's still able to do the mission, but he's doing a little bit less than he used to do. And I think you're going to see that even in the nuclear programs.

FISCHER:

You know, we're looking at severe cuts to conventional forces, but if I'm hearing you correctly, you would say that our nuclear deterrent then would be a national priority?

CARTER:

I think it's a national priority. That doesn't mean that it won't -- it will escape entirely the cuts of this -- this magnitude. I just -- I wouldn't -- I wouldn't say that. But it is something that we would value pretty highly, because look at what the North Koreans are doing today and so forth.

FISCHER:

Exactly.

CARTER:

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

FISCHER:

Thank you. I'll have a follow-up question in round two.

Thank you, Mr. Chairman.

LEVIN:

Thank you, Senator Fischer.

Senator Shaheen.

SHAHEEN:

Thank you, Mr. Chairman, and -- and thank you all.

LEVIN:

I'm sorry, I misspoke.

Senator Hagan.

SHAHEEN:

Shoot, I thought you were going to let me get in there.

LEVIN:

She slipped in in time. She -- I apologize, Jeanne.

Senator Hagan?

HAGAN:

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

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

I chair one of the subcommittees on this committee, the Emerging Threats and Capabilities subcommittee, and I'm very concerned about the possible impact of the sequestration and a full year C.R. on our special operation forces.

North Carolina's the home to the headquarters of the U.S. Army Special Operations Command, Joint Special Operations Command, and the Marine Corps Special Ops Command at Camp Lejeune, as well as thousands of special operators and their families.

HAGAN:

Admiral McRaven has noted, repeatedly, that there's a greater demand for special ops forces today, than at any point in our history. And as we prepare to draw down in Afghanistan, special operation forces will

likely remain. And, additionally, as long as al Qaida and its affiliates remain a threat to our nation, our special operators will remain engaged abroad.

And I understand the combined impact of these issues could cut approximately 23 percent in the special ops operations and maintenance accounts and 9 percent in their investment accounts. essentially returning the command to fiscal year 2007 spending levels, or \$2.4 billion below the budget request for fiscal year '13.

Dr. Carter and General Dempsey, if these cuts go forward, how will they impact the readiness of our special operation forces?

CARTER:

Well, it's -- it's -- it's -- it's devastating for -- I'll let the chairman speak to it more. But the reason the SOCOM gets hit especially hard is the same reason that General Odierno and the Army get hit especially hard. Namely that they have a -- a lot of funding in the overseas contingency operations account. That gets hit, too, by sequester.

And we have to protect the wars. So you protect the part of it that is working on -- in Afghanistan right now, deployed right now, the rest of it has to pay a larger price.

I would say, you know, our strategy is not to shrink our special operations forces. Our strategy is to grow them. When we said last year we were gonna take \$487 billion in cuts and that we could do that, and we had a new strategy, that strategy, actually -- our plan is, still is, to grow our special operations forces.

Now all that is obviously in question now because of -- of -- of sequestration. But if sequestration is averted and we get back on course, special operation forces will actually grow slightly, I think from 65,000 to 72,000, if I remember the numbers when I was just down at Fort Bragg a few weeks ago and discussing that (inaudible).

So it is a priority in our strategy.

HAGAN:

Well, it's a priority. And we're counting on -- on these individuals and we're really looking to the special operation forces. And it just seems incongruous to me that we think we can count on that at the same time we're looking at a 23 percent cut.

CARTER:

I'm with you.

DEMPSEY:

There's plenty of incongruity to go around in -- on the topic of sequestration.

And I would only add to what the deputy secretary said is that in the first round of these cuts, the \$487 billion Budget Control Act, we did advantage the Special Operations.

HAGAN:

Right.

DEMPSEY:

But if sequestration occurs in the magnitude we're discussing, everybody will be affected. Because we have to maintain a joint force of conventional and unconventional capability.

HAGAN:

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

So, General Odierno and Admiral Ferguson, General Amos, I'm running out of time: As representative of these military services, how is sequestration and then the full-year C.R., how would that impact your ability for your services to provide these critical enabling capabilities to our special operation forces?

ODIERNO:

Senator Hagan, if I go first, again, as I said, it's a reduction in intelligence capability, training, reduction on our aviation training, so all of these will have an impact on providing much of the enabling support that we provide to Special Operation Forces.

We're going -- we're going to lose 37,000 flying hours in fiscal year '13. That will take a while to recover from, as we have to go through and then revalidate and meet our gates (ph) for our -- for our pilots in order to support all our forces, to include special operations forces. So they will be affected by the reductions that we face in the Army.

AMOS:

Senator Hagan, the -- when we stood up Marines Special Operations Command six and a half years ago at Camp Lejeune, the number of Marines will be -- was planned about 2,500.

I became the commandant. We did a force structure review, as you'll remember, two years ago. And due to the requirements and the need in the real world, I agreed to grow that force another 1,000.

We're not there. We're sitting at about 2,600 today. Sequestration, the C.R., continue and persist especially over the next 10 years, it's unlikely that I'll grow the force up to the extra thousand that I said. Certainly, the equipment and people will not be available.

FERGUSON:

Senator, for us it's really two areas, people and platforms.

So in the people area, we'll continue to support the Navy Special Warfare Command and provide the enablers to them. But on the platform piece for the ISR, for the ships that they now operate from, the other units, you will see a decreased presence and a more difficult -- a more difficult time doing the training and preparation for deployment because of sequestration and the C.R.

HAGAN:

Thank you, Mr. Chairman.

LEVIN:

Thank you, Senator Hagan.

Here's where we're at. The votes that were originally scheduled for 11:00 are now scheduled for 11:30, which means we can safely go to about 11:40, which means in turn that we ought to be able to completely finish our first round and hopefully have a couple, perhaps second rounds, if necessary. The goal now being to complete this hearing by 11:40. It's now five after 11:00.

INHOFE (?):

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

LEVIN:

That the -- I would ask our staff that that suggestion to notify our members that there may be a few minutes for a few second rounds. so if they're interested, they should let us know.

The meeting of our committee on the Hagel nomination that was scheduled at 2:30 will begin now at 2:45 because we have two votes at 11:00 -- at 2:15. Two votes at 2:15 this afternoon, so after consulting with Senator Inhofe, we're gonna begin our meeting this afternoon at 2:45 instead of 2:30.

I would ask everybody to vote early in that second vote so we can begin promptly 2:45 this afternoon.

Now, I'm going to call on Senator Graham and then I'm going to go to Senator Shaheen.

Senator Graham?

GRAHAM:

Thank you all, gentlemen, for coming.

Mr. Chairman, thank you for having this hearing. I can't think of a better topic to be talking about. Have you run out of adjectives to tell us how bad this is?

(LAUGHTER)

CARTER (?):

Senator, I have a degree in English from Duke University, and the answer is yes.

GRAHAM:

Yes. I don't know what it's going to take, guys, but just keep trying. Maybe bases closing seems to get everybody's attention in Congress.

From a Navy perspective, if sequestration is fully implemented, will we have less naval bases?

FERGUSON:

Well, Senator, that falls under, as you know, the base closure realignment process. And so...

GRAHAM:

How many ships will we have?

FERGUSON:

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

GRAHAM:

In English, how many is that?

FERGUSON:

220 to 230 (ph).

GRAHAM:

OK. All right.

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

WELSH:

We'll have to have less airplanes, Senator.

**GRAHAM:**

**What happens to the F-35?**

WELSH:

Depends on what the top line is going forward. Short term, it's one to two airplanes this year...

(CROSSTALK)

GRAHAM:

Well, let's say sequestration fully goes into effect.

WELSH:

We're going to have to look completely at the program.

GRAHAM:

I mean, it's going to be hard to modernize. Right?

WELSH:

It's going to be impossible to modernize the way we currently would like to, Senator.

GRAHAM:

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

WELSH:

Yes, sir. Our kick-in-the-door capability would be impacted.

GRAHAM:

OK.

From the Army point of view, General O (sic), would we eventually have less Army bases?

ODIERNO:

We will definitely have less brigade combat teams. About 40 percent reduction with sequestration.

GRAHAM:

OK. Forty percent reduction in combat power.

ODIERNO:

And -- and we'll have to look at closing bases if we do this.

GRAHAM:

OK. OK.

Has anybody thought about resigning in protest?

DEMPSEY (?):

Let me -- you ask me that a lot, Senator. I don't know if you're trying to send me a message.

GRAHAM:

No, I don't want you to resign.

(LAUGHTER)

But I just want to make this real to people up there. I mean, we're putting you in an almost untenable...

(CROSSTALK)

DEMPSEY (?):

Well, your points are good.

Look, none of us -- none of us walk away or run away from a crisis or a fight. That's -- you know, that's not our nature.

But I will -- I will tell you personally, if ever the force is so degraded and so unready, and then we're asked to use it, it would be immoral to use the force unless it's well-trained, well-led and well-- equipped.

GRAHAM:

Are we on the path to creating that dilemma?



DEMPSEY (?):

We are on that path.

GRAHAM:

So please understand that, colleagues. We're on the path of requiring our military in the future to protect us in a circumstance where they know they don't have the ability given what we're doing to the training, the readiness of the force.

And, General Dempsey, I can't say it any better.

Do all of you agree with that general statement? Would you please say yes or no into the mike?

WELSH (?):

Yes.

ODIERNO (?):

Yes. I do.

FERGUSON (?):

Yes.

AMOS (?):

Yes, sir.

GRAHAM:

Thank you all for your service.

LEVIN:

Thank you very much, Senator Graham.

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

GRAHAM:

Yes, we're on the path.

LEVIN:

Right.

GRAHAM:

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

LEVIN:

And I -- I understood that and I very much agree with that. But I just want to make sure that that was the nine-year sequestration.

GRAHAM:

Yes, sir, that's the nine-year path. Yes, sir.

LEVIN:

It's bad enough -- the first year part of it is plenty bad enough...

GRAHAM:

Right. I agree.

LEVIN:

OK.

Senator Shaheen?

SHAHEEN:

Thank you, Mr. Chairman.

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

I voted for the Budget Control Act, as did the majority of my colleagues in the Senate and the majority in the House, because I thought we were going to be responsible about how we then responded to coming up with a long-term solution to address this country's debt and deficits.

And the fact that we have not I think means that each and every one of us in Congress should take a second look at what our jobs are in this body. The fact is we can come up with a long-term solution that avoids the impact of sequestration, that avoids the devastating toll that all of you are talking about this morning on our military and on our defense.

But in order to do that, we've all got to put aside some of our sacred cows and be flexible. We've got to look at the entire budget. We've got to look at spending. We've got to look at revenues. And we've got to look at our mandatory programs.

And I can pledge to you that I will do everything I can to be flexible about that and to be willing to look at all of the options that we have to get a solution. Because this is not just, as you point out, about our military readiness and about this country's national security. It's also about the future of the economy of this country.

And anybody who looks at those economic numbers from the fourth quarter has to understand that if we continue on the path we're on, we're going to put the economic growth of this country and everything that means in terms of unemployment and impact to defense and all the other sectors of our economy, we are going to put that back at risk.

So I can understand your frustration. I share it and I don't blame you one bit.

Now, I have a question. You've talked, and I think very eloquently, about the impact on our men and women who are serving and on our security. But I want you, if you would, to talk a little bit more about the impact on this country's industrial base. Because I know that we've heard from some of the small businesses in New Hampshire. There's been one firm quoted as saying that 20,000 small businesses in its pipeline would be affected if these cuts are not addressed.

And I wonder if you could elaborate on the potential reversibility of sequestration with respect to our defense industrial base and its small businesses?

CARTER:

May I?

SHAHEEN:

Secretary Carter?

CARTER:

May I? Thank -- thank you for the question because this is a very serious impact. I talked about the -- the larger companies are telling me that they are, as I said, maintaining more liquidity, not making internal investments in defense. But they have a capital structure that allow them to survive.

Remember that 60 to 70 cents of every dollar that we contract ends up in a subcontractor. And many of these are small businesses that don't have the capital structure to be able to withstand blows and be turned on and off and so forth. And so I am concerned and our industry partners are concerned that some of them just aren't going to make it. And then you don't have a supplier for a critical component.

And so both the magnitude and the abruptness of these impacts, and also just the uncertainty that looms over these little companies. And small businesses are important to us because they are the source of a lot of innovation. They bring new ideas, new people into the defense field, which we need.

And so most -- many of our most dynamic new ideas, new systems and so forth originate in small businesses. So we are concerned about the health of the so-called "lower tiers" of the industrial base as we make this adjustment.

FERGUSON:

Senator, if I might add, another concern for the Navy is the people involved in repairing the ships, the very highly skilled craftsmen and tradesmen. It takes years to develop a nuclear welder, for example -- that we could lose those skills when the work goes away and they have to find employment, or they're furloughed. And they may make a choice to retire or leave federal service.

And so there's that aspect. But then the secondary one is we have many sole-source suppliers have if we cut off the development and the construction of these systems, they don't have any work for them since they're our single source for some critical components.

SHAHEEN:

So, that could have a significant impact on jobs and the economy that's dependent on...

FERGUSON:

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

SHAHEEN:

Well, obviously, I share Senator Ayotte's and Senator King's concern. We're seeing that already at the Portsmouth Naval Shipyard, the potential impact that this could have. So thank you all very much.

LEVIN:

Thank you, Senator Shaheen.

Senator Blunt?

BLUNT:

Thank you, Chairman.

On that, let's talk about jobs and the workforce for a little bit.

Admiral Ferguson, just to be sure I understand what you're saying, that if the shipyard people get furloughed, your view is that some of them eventually decide this is not my long-term career path?

FERGUSON:

I think that's the potential outcome, Senator.

BLUNT:

General Welsh, I asked the other day about, you know, the F-18 line in St. Louis because that's -- that's the big line I'm the most familiar with. We have lots of little defense contractors in Missouri. I -- I did a tour of some of these businesses last year. As I recall, one of them was out in the country and the office had at one time been a dairy barn, built on -- everything's run by computer, you know, very sophisticated, very purposeful. But of course, if they don't have that contract, I'm sure they're not conditioned in a way that allows them to just wait until the next -- that -- that business would go away.

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

WELSH:

Sir, some of the major defense contracts have the ability to absorb some of that workforce into their public side of the house. Boeing is an example, with a very large public aircraft production capacity. Where we are facing a more immediate problem with sequestration, especially just for the remainder of this year, is in our depot maintenance workforce.

If we stop, for example, the 150 airplanes and engines -- 85 engines I mentioned not going in to depot if sequestration occurs for the remainder of this fiscal year, we will furlough -- not just furlough the workforce that's there working in the depot maintenance facilities, but the workload will also stop. And

many of the small contracts -- small business contracts that provide parts and people to come in and do specialized work as part of that depot maintenance will really start to go down.

BLUNT:

So this would be a furlough not because you're furloughing people because of sequestration, because you're furloughing people that sequestration meant they didn't have any work to do.

WELSH:

Sir -- yes, sir. It will be both.

BLUNT:

Well, let's talk about the other part of that furlough.

General Grass, you and I visited the other day, of your -- both some of your uniformed personnel, because of the way you function uniquely where you have civilians wearing a uniform at things like the ABCRAD (ph). But on your civilian personnel, what are you thinking you'd have to do in terms of just telling them not to show up for work a certain number of days for the next six months?

GRASS:

Yes, Senator. If full sequestration were to kick in, some of the information we've passed on to the adjutants generals right now to plan on is one day a week maximum for the rest of the fiscal year, starting probably in April. Again, we haven't implemented that. We're taking a look at that.

What it really means, especially for the National Guard, is the bulk of our maintenance is completed each day by our civilian technicians -- our military -- the ones that wear a uniform to work each day. And as we begin to draw those down for that time period, we begin to see a detriment in our readiness of our armories across the nation.

I just did a study the other day and looked at a 10 percent reduction of our rolling stock in our aviation here within the next six months. And that's on top of already a depot shutdown that's going to cause us problems.

BLUNT:

All right. I may have some more questions just in writing on furloughs generally.

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

CARTER:

No, we were not. We're prepared -- we were asked to prepare the '14 budget according to the fiscal guidance we were given late last year.

BLUNT:

All right. Thank you.

LEVIN:

Thank you, Senator Blunt.

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

NELSON:

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

CARTER:

Well, you know, there's nothing more provocative what the North Koreans did. I don't know if they did it to coincide with the State of the Union. They had several other holidays this week they could have taken advantage of. They tend to like to do this on holidays. But in all seriousness, it is very dangerous.

And we will take action to condemn and get the rest of the international community to condemn this test by North Korea. I'm particularly looking to China, of course, to join in that condemnation. And they're a pivotal -- they have a pivotal role in influencing the future here for North Korea. That's an extremely dangerous situation for us. The Chinese have significant influence over it.

We need them to use it.

NELSON:

Thank you. Senator Blumenthal.

BLUMENTHAL:

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

On that score, I want to ask you, Secretary Carter, in terms of people, you outline in your testimony the effects on TRICARE, of the sequester, that it may mean cuts of \$2 billion to \$3 billion dollars. And that our health system for our military men and women may not be able to pay its bills.

Can you tell us just very briefly what you see the effects are of potential sequester on health care for our men and women in uniform?

CARTER:

Yes. I'll say something and perhaps I can ask Secretary Hale to -- to add to that.

But, you're exactly right. Under this scenario that we all fear so much, by the time we get to the end of the year, we're out of money. It's very hard to cut back health care the way you can cut back depot maintenance or train training, because you can't just tell people they can't be sick or they can't see a doctor. You can do a little of that with elective procedures and so forth, but the reality is that by the end of

the year, by our estimates, a few billion dollars short, and that will mean either trying to kick bills into the next year, or we're going to have to simply cut back on the care we can provide.

Let me ask Secretary Hale...

HALE (?):

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

BLUMENTHAL:

And my understanding is that the Navy is continuing to -- with its program of two submarine per year including 2014, Admiral Ferguson, that is correct?

FERGUSON:

Only in 2013. The 2014, we don't have an appropriations bill, and that issue is unresolved for the multi-year for that submarine. So, the -- the two boats in '13 are under contract and proceeding. It's questionable based on the outcome of Congressional action on both our budget requests and the appropriate authorities.

BLUMENTHAL:

I am very concerned, as my colleagues have said, about the effect on the -- our defense and industrial base, our work force, our skilled working men and women who -- who build the joint strike fighter, or submarines, or helicopters that they do in Connecticut, or all around the United States, and retaining that work force if we are faced with sequester. So I -- again, I thank you all of you for your service. And I hope we'll be able to surmount that problem.

Thank you.

CARTER:

Mr. Chairman, just on that point, we've talked about furloughs. It's just worth noting we need to find \$46 billion under sequestration between now and the end of the year. Furlough -- furloughing everybody, all our 800,000 employees for the maximum allowable under the law gets \$5 billion.

Now, even if we do that, we still have \$41 billion to go. That \$41 billion shows up in contracted services. That's where the money will come from. And it'll affect all those people who work for us, that is work for national defense, but they are not employees of the Department of Defense. And there are millions of such people, and we -- we do depend on them. They build our systems. They -- they provide some of the expertise that can't we keep in house. And -- and that \$41 billion, much of that will go to cutting their -- their work for us.

ODIERNO:

If I could just add to that.

BLUMENTHAL:

Yes, General.

ODIERNO:

In the army, we'll have to reduce purchase orders over 3,000 small companies. We -- our assessment tells us 1,100 of those are then at moderate to high risk of bankruptcy. If we have to execute this, this year. And -- and then you're not even talking about the impacts of the small companies that exist around all of our large installations that are dependent upon the support of the installations as we continue to reduce the dollars that are being spent in every one of our installations.

And then in our -- our own industrial base, the depots, we said we're gonna cut 5,000, but we actually believe, if sequestration goes into effect, it will be well over 10,000 we end up having to move out of our depots out -- in the out years.

And so the impact on our civilian team that we've built between our depots and our civilian assistants that we get from contractors will be quite significant. And it'll -- it'll be -- it'll really, from an Army's perspective, hit the small companies, which I think is -- is devastating for us as we move forward.

BLUMENTHAL:

That's very important. And I thank you.

Thank you, Mr. Chairman.

LEVIN:

Thank you, Senator Blumenthal.

Now, before I call on Senator Donnelly, there have been a number of questions for the record that have been referred to. There will be additional ones, I'm sure. And we would ask our witnesses because of the real shortness of time before that sequestration threat is executed, that you respond to those questions within five days.

Thank you, Senator Donnelly.

DONNELLY:

Thank you, Mr. Chairman. And I want to thank all of you for your service to our country.

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

GRASS:

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

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



And with that, that time to respond to the disaster in your home states begins to increase. We had 2,500 Guardsmen from four states this past weekend that responded. We'll be able to continue to do the smaller ones. I'm very concerned about more regional long disasters, the -- the catastrophic and complex catastrophes.

DONNELLY:

Thank you very much.

And, Mr. Secretary, this is for you or General Dempsey.

Do you have a number you can live with in terms of reductions? You know \$487 billion is too high. What is a number that you can live with?

CARTER:

Well, we have said we could live with \$487 billion, and we worked very hard last year to accommodate an adjustment that large. And as I said, that -- that cut was on top of the cuts that Secretary Gates imposed, which were another several hundred billion dollars. So we understand that we need to play a role in deficit reduction. We understand the country can't afford to give us the amount of money they have been over the last 10, 11 years.

What we're saying here today is that we are now -- we were able to do that, but we're now on the edge in many of our capability areas. And the suddenness, the scale, and the arbitrariness of sequester is what causes all these effects that you've heard about today.

DEMPSEY:

I would just add, and the magnitude. The magnitude of another half trillion dollars over ten years, on top of the 47, and on top of the Gates area -- era efficiencies, will put the current strategy at risk. Now, -- not at risk, it will make it infeasible.

So the question back to you will be, what strategy will you, as a member of the SASC and the -- the Congress of the United States be willing to live with, and a -- which will be a degraded capability from what we provide today. And we will owe you that discussion. But any additional cuts will change the strategy.

DONNELLY:

OK, I just want to ask real quick, in terms of suicide prevention programs. We lost, as -- as I mentioned last week, more young men and women to suicide in the past year than we lost in Afghanistan. And I was wondering the effect of sequestration on those programs, the mental health programs?

ODIERNO:

Well, I'll -- I mean, sequestration has an impact on everything.

DONNELLY:

Right.

ODIERNO:

I mean, it -- we -- we have invested a lot of money, and effort, and time in trying to build resiliency and try to get after the issues we have with suicide and many other issues. We have counselors that we've increased significantly in every one of our installations that help our families and our soldiers to work through coping mechanisms and problems that they have.

But that will all be -- we will not be able to afford the number of counselors that we have today. It's -- it's just -- that's just simple. It's just, we cannot do it. We'll -- that is one of our high prior priorities. We'll try to sustain it at the highest level possible as we go forward, but it will have to take a reduction.

And this is serious business, as you know. We -- although the effort we've put into it, we have not yet put a dent into our suicide problem. And so this is of deep concern to all of us as we move forward. It also impacts our other critical family programs that have helped us over the many years as our families have sacrificed so much over the last 10, 12 years. Those will have to be reduced, as well.

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

DONNELLY:

Thank you all for your service.

LEVIN:

Thank you very much, Senator Donnelly.

Senator King.

KING:

Thank you, Mr. Chairman. Thank you, gentlemen.

This hearing must feel bizarre to you guys. It's -- it's one of the most strange hearings I've ever been in where a portion of the United States government is talking about, essentially, going out of business because of decisions made somewhere in -- in somewhere else in the government.

Senator McCain talked about it being Orwellian. I would say it's more Alice in Wonderland. It's a very strange situation. And, Mr. Carter, I'm so glad you used the word, "dumb." Because that was the word that was in my notes, so you've given me license to use it.

This whole thing is dumb. It's an arbitrary date. It means nothing. March 1st has nothing to do with what's going on in the economy, or -- or the credit of the United States or anything else. It's a totally self-imposed deadline. And -- and the impacts will be drastic. In my small state of Maine, 7,000 jobs is the calculation. George Mason University has just done a study of what the impacts this will be state by state.

And I commend it to my colleagues. They estimate 7,000 jobs in Maine, 4,000 in the defense sector, places like Bath Iron Works, Portsmouth naval ship yard. It's -- it's a disaster, and it's a self-imposed disaster that we don't have to do.

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

health care. And the sequester has nothing to do with that whatsoever. And we've gotta be having that discussion.

It's also terrible timing, because it's hitting at a time of fragile -- of a fragile economy. I don't know if it can push us back into recession, but it certainly won't help with these thousands of lay-offs and furloughs around the country. It's certainly going to kill the confidence of the economy in this institution of the United States government that we can make decisions on a timely basis and respond to these problems intelligently and not with a blunt instrument.

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

So I would, again, associate my comments with those of -- of Senator McCain. I think there's one person that -- that can help us resolve this, and that's the president of the United States. I think he has to precipitate a solution. If I were him, and believe me, there's no chance that's ever going to happen, but if I were him, I'd have the helicopter running on the -- on the lawn of the Capitol this evening, take the leadership of the Congress, and the leadership of this committee to Camp David, and say, "You've got three, four days, guys. Nobody leaves, men and women, until we get this -- get this thing solved."

And I hope he takes the initiative. Because right now, we are slouching toward a catastrophe for this country, both in terms of its economy, in terms of its military readiness, and I thank you for what you've done today. And, hopefully, the message that you've given us will -- will have some impact throughout the Congress, and at the other end of Pennsylvania Avenue, because we can solve this. It's ridiculous to -- to be at this stage at this time given the seriousness of the -- of the danger.

Thank you very much.

LEVIN:

Thank you very much, Senator King.

Now here's the order of battle. We've got Senator Hirono, Senator Gillibrand. Senator Manchin on our side that we know about. I suggested to Senator Manchin that he go vote, and try to come back so that he can have his turn.

It's now Senator Hirono and then, on our side, Senator Gillibrand.

HIRONO:

Thank you, Mr. Chairman.

LEVIN:

If you can stick to three minutes, everybody, we may be able to pull this off.

HIRONO:

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

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

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

I know there are many potential threats that we face in the world today, including many in the Asia-Pacific theater and, only this morning, we learned of actions taken by North Korea that are troubling. And I believe that the administration is correct in talking about rebalancing with an emphasis to the Asia-Pacific theater. And Secretary Panetta, last week, said that a sequester would cut naval operations in the Pacific by a third.

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

ODIERNO:

Thank you -- thank you, ma'am.

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

Additionally, the army is responsible for providing a significant amount of communication support, intelligence support, and logistical support to the PACOM theater. Their ability to do that will also be affected by sequestration, specifically, in fiscal year '13, but beyond.

We have tried to fence our capability in Korea to make sure they're at the highest readiness level. We will continue to do that. But the cuts in family programs, cuts in soldier programs, cuts in our civilians will also impact Korea, as well. So, for us, it has a significant impact on our ability to operate in the -- in the Pacific for the next several years.

HIRONO:

For General Dempsey, I'm -- I'm glad that we are going to protect wounded warrior programs, because that is one of the more, I -- I would say, important programs to enable our people coming back from Iraq and Afghanistan to be able to transition back into civilian life. But, I think, there was mention about other programs, such as counseling, family-related programs, how would those kinds of programs that support our servicemembers and their families be negatively impacted by sequestration?

DEMPSEY:

Yeah, thanks, Senator.

I should mention, by the way, in addition to the effect in the Pacific of the Army, we're also -- we're in the process of moving significant Marine -- United States Marine Corps forces into the Pacific. And General Amos can speak to that.

In terms -- think of it this way. Base operations, that is to say the support services whether it's -- whether it's any of the things you mentioned or, you know, teachers in the clinics or teachers in the schools, medical professionals in clinics. About 30 percent of base operations will be degraded.

HIRONO:

Thank you. My time is up.

LEVIN:

OK. Now, we alternate here, so it goes to Senator Lee next. I would suggest that -- you know, wait, we may miss the first vote. These are three-minute votes. So -- I mean, three-minute questions, so please, if you would, Senator Lee, stick right to that, so Senator Gillibrand will be next.

LEE:

Great. Thank you very much, Mr. Chairman. And I will be as brief as I -- as I can possibly be here.

On December -- in December 2012, Senator Chuck Hagel, the nominee to become the secretary of defense, sat for an interview with the Financial Times. And when he was asked about outgoing Secretary Panetta's comments that budget sequestration would be disastrous to national defense, Senator Hagel replied as follows: "The Defense Department I think in many ways has been bloated. The Defense Department has gotten everything it's wanted the last 10 years and more. We've taken priorities. We've taken dollars. We've taken programs. We've taken policies out of the State Department, out of a number of other departments, and put them over in Defense. The abuse and waste and the fraud is astounding. I think the Pentagon needs to be pared down. I think we need the Pentagon to look at their own priorities."

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

CARTER:

Let me -- I'm not a member of the joint chiefs, but let me -- let me try.

It's a good question. It's a fair question. And I don't -- I can't speak for -- for Senator Hagel. But my interpretation of that is that -- is along the lines of something that Secretary Gates used to say, which was that we had accumulated over the decade post-9/11 when our budget was just kept going up every year. And I said this, by the way, when I was undersecretary for acquisition, technology and logistics.

When your budget goes up year-in and year-out, I think it's fair to say that when you had a management problem, all of our managers, they -- it was easy to reach for more money to solve your management problem, whether it's a technical problem in a program or something like that.

So I -- it was noticeable to me when I was undersecretary for acquisition, technology and logistics that in some places that habit had accumulated over the decade. And that is why Secretary Gates started his efficiency initiative, which I was part of, and our efforts to reform the acquisitions system and to improve our performance.

And -- and in parallel, we have absorbed \$487 billion in budget cut in a way that where I think we all said we could still accomplish the mission of the nation. And that speaks to the fact that we could do what the country needed with less.

So we've made that accommodation. What we're saying today is we can't do that strategy if there's -- there are further cuts. So we have accommodated a substantial budget adjustment relative to a few years ago. We've tried to do it in a strategic way, but what we're saying today is we can't take another major cut and sustain that strategy.

LEE:

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

Thank you.

GILLIBRAND:

Thank you.

Thank you, Mr. Ranking Member.

Thank you for your testimony. It's incredibly distressing to hear the statements that you've made today. As a senator from New York, I'm very troubled about emerging threats, as New York City is one of the top terror targets. We have two missions for WMD under the National Guard. Cutting those programs obviously puts us at grave risk.

We have a lot of National Guard contingencies and operations throughout the state, which is essential for recovery efforts. We saw what an amazing job they did during Hurricane Sandy. So, I'm very concerned that with these kind of cuts, we are exposing ourselves to very grave vulnerabilities.

I also have concerns about cyber and cyber threat is obviously one of our graves emerging threats. We do a lot of work for them in Rome Labs. And I'm worried about our -- our training. Obviously, Fort Drum is one of the premier training operations we have for the Army. And we need to keep those resources available.

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

DEMPSEY:

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

You asked exactly the right question. How is risk elevated? So, we have -- what we provide is a deterrent against our enemies and assurance of our allies. And then where we can't do as much deterrence or assurance as we think we need, we -- we talk about risk.

We're going to be less forward. We'll have less forward -- less forces to provide that assurance, meaning risk goes up and we could find ourselves, as I described it, as vulnerable to coercion.

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

GRASS:

Senator, my concern -- and I do applaud the great work of New York throughout Sandy, as well as this past weekend. My real concern for the National Guard is as we continue to draw down in our ability to train at regional hubs, and also in the combat training centers, we'll reduce the proficiency of our leaders and also of our operators.

And many times when we respond to a situation like Hurricane Sandy, those -- those pilots flying those helicopters are in really extreme conditions. We will degrade their ability to fly.

INHOFE:

Senator Gillibrand, Senator Lee has asked that you answer the question that he asked the service chiefs -- answer the question for the record so I have that. I'm sorry for the interruption, Senator Gillibrand.

GILLIBRAND:

(inaudible) my time expired? If I have -- then my second question is obviously as we're looking at emerging threats worldwide, Al Qaida has truly metastasized. It obviously needed Afghanistan as its base of operations to train and plan 9/11. Since Al Qaida is now remotely operated worldwide, we have presence in Somalia, Yemen, Mali -- all over the world.

I know the president's intending to announce his decisions of drawing down troops. It's been rumored to be released shortly, pulling troops -- about 34,000 out of Afghanistan. Do you imagine that having a lighter footprint long term to be able to deal with these emerging threats worldwide will be something that you will recommend? And as a way also to shift how we spend money and in what way?

CARTER:

I'll comment on that, and ask the chairman or anyone else. It is part of our strategy -- this is pre-sequester -- to maintain what we call, exactly as you said, "light footprint presence" in many parts of the world where terrorist groups could seek a safe haven. That is exactly part of our strategy. You do see that going on.

And it's part of the special operations force structure decisions that we were discussing earlier with Senator Hagan, namely our decision, if sequester doesn't go through of course, to maintain and even slightly increase the number of special operations forces so that they can maintain that lighter footprint, lighter global footprint as things in Afghanistan wind down.

Let me ask the chairman.

DEMPSEY:

Yeah, the only thing I'd add, Senator, is the question you ask is exactly what this group at the table does. The joint chiefs are responsible for balancing global responsibilities, for looking at ways to do things sometimes directly ourselves, sometimes through partners in a region. And I think what you're hearing today is that our ability to do that is going to be called into doubt, given the effects of sequestration.

GILLIBRAND:

Thank you, gentlemen. We're going to call a short recess in this hearing until the chairman returns.

Thank you.

(RECESS)

LEVIN:

OK, we will come back to order.

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

My questions will also be made part of the record.

I want to thank our panel for their very powerful testimony this morning. We -- it is incumbent upon those of us that are elected to do the country's business that we avoid sequestration. That we avoid the -- the year-long C.R. as well.

These are mindless, irrational activities. They are not intended to become operative; they're intended to force us. They're kind of an action-forcing mechanism to do that needs to be done. And hopefully they can still perform that role.

But as of right now, that threat remains. It's incumbent upon the -- the Congress and the president to remove that threat, I'll say both threats because they're both -- they're real threats to the well-being of this country, both in terms of our security, but also in terms of so many other important programs that the federal government helps to fund.

So, again, we'll appreciate answers within five days of these questions, because of the time constraints that we have.

We're grateful to you for your service and for those with whom you serve, for their services and their families.

And we will stand adjourned.

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