

PREPARED STATEMENT
OF
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ACTING UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
MILITARY PERSONNEL SUBCOMMITTEE

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INTRODUCTION

Chairman Wilson, Ranking Member Davis, distinguished members of the Committee, thank you for the opportunity to discuss the looming effects of sequestration as mandated by the Budget Control Act of 2011, and the ongoing continuing resolution for fiscal year (FY) 2013, on Department of Defense military personnel and readiness of the total force.

Under current law, in less than two days sequestration will begin to go into effect, in two parts: first, on March 1, an immediate reduction in budget authority of approximately \$40 billion across the Department; and second, on March 27, an additional sequestration of approximately \$6 billion across the Department due to a breach in the discretionary spending caps for FY 2013. Combined, these actions would result in a total of approximately \$46 billion in funding cuts across the Department, a reduction of roughly 9% of the total budget in fiscal year 2013. This would be the steepest decline of obligating authority in history, to be implemented in the last seven months of this fiscal year. An extension of the existing continuing resolution for FY 2013 would compound the fiscal devastation by leaving massive funding shortfalls in the operations and maintenance (O&M) accounts that fund our critical personnel, training, and readiness programs.

On February 13, Deputy Secretary Carter, Chairman Dempsey, all four Service Chiefs, and the Chief of the National Guard Bureau (NGB) appeared before the full House Armed Services Committee and testified on the innumerable impacts to our national defense, readiness, and our brave men and women in uniform and their families. In order to not break faith with our Service members, the President used his authority to exempt the military personnel accounts from sequestration. Although I wholeheartedly agree with his decision, it will result in larger decrements from other Defense accounts to offset the difference. While we will protect the war-

fighters, those serving in Afghanistan and critical deployments, we cannot do this without paying a cost – a cost that is our readiness. The military personnel account may be protected, but the second and third order effects to the total force and their families are detrimental and may be difficult to reverse.

In their opening statements to this Committee, Deputy Secretary Carter and Chairman Dempsey were unequivocally clear that the near term consequence of sequestration and continuing resolution will be a readiness crisis. Whether it is a cancelled deployment of an aircraft carrier, reduced training for Army troops trying to maintain proficiency, or the degradation of our Reserve components, the results will seriously degrade the readiness our total force and their ability to defend this nation.

We understand that the Department of Defense must do its part in addressing the nation's budget concerns; however it must be done in a responsible and judicious manner. That means we must first have a strategy then formulate a budget to meet that strategy. However, as Deputy Secretary Carter stated, “[i]f the Department was forced to operate under the mechanistic sequestration rules and the CR for the remainder of the fiscal year, it would achieve precisely the opposite effect by imposing arbitrary budget cuts that then drive change in national security strategy.”

Likewise Chairman Dempsey argued, “we need flexibility to allocate our resources to our highest priorities. When we are not allowed by legislation to touch individual pieces of the budget, readiness accounts inevitably pay the price.” This is especially true in terms of our military end-strength. The current end-strength floors prevent us from managing our force and restrict our ability to responsibly draw down our military.

The backbone of the world's greatest military is our people. Our Active, Reserve and Guard Service members, as well as our civilians who serve throughout the country and the world, are the Department's greatest asset. However, they will become the "the collateral damage of political gridlock," as Deputy Secretary Carter points out, if we continue down this fiscal path. In spite of the exemption of military personnel accounts, which protects military pay and benefits, our Service members and their families will be adversely impacted by sequestration and a continuing resolution. Our Military personnel will receive reduced training, leading to diminishing readiness and morale. Service member and family support programs will be impacted by across-the-board funding decrements affecting the quality-of-life service we provide to them, even as we seek to protect family programs wherever feasible. Our career civilian workforce, which has not seen a pay raise in several years, is likely to be subjected to furlough for up to 22 discontinuous work days beginning in late April through September. This equates to a 20% reduction in pay during this period with a significant impact to their families, as well as to the economies of their local communities. These effects are real, and they are avoidable.

If sequestration is allowed to go forward with an extended continuing resolution, the collateral damage will be seen in three major areas – impacts on the total force; impacts on the total force readiness; and impacts on support to the total force. However, as the President and Secretary of Defense made clear on multiple occasions, in addition to protecting military members' pay, the Department will protect, to the greatest extent possible, what we hold sacred – caring for wounded warriors and providing medical care for our Service members and families. And although we cannot protect everything from the cuts required by sequestration, the Department will be committed to our priority personnel policy efforts such as sexual assault prevention and response, suicide prevention, transition support, women in service and same sex

domestic partner benefits. We will focus our resources on these priority issues for the future and work to reduce impact as much as possible.

IMPACTS ON THE TOTAL FORCE

In a speech given at Georgetown University on February 6, Secretary of Defense Panetta stated, “My greatest concern today is that we are putting our national security at risk by lurching from budget crisis to budget crisis to budget crisis.” This lurching from crisis to crisis has created an environment of fiscal uncertainty within the Department. It is impossible to implement a total force management strategy without fiscal stability, it forces the Department to “plan for the worst but hope for the best.” The worst case scenario planning forced by sequestration and a continuing resolution will negatively affect Active and Reserve Component Service members, civilians, and contracted support across the spectrum.

The President exempted military personnel accounts from the severe effects of sequestration, and therefore no military member will be furloughed. However, to offset this exemption more severe budget decrements must be taken from elsewhere and the second and third order effects of the reduced funding will inevitably affect Service members and their families. To control military pay and benefits costs under current budgetary constraints, the Department made the tough decision to propose a basic pay increase of 1.0 percent for 2014. This pay increase is smaller than the 1.8 percent estimated increase in the Employment Cost Index (ECI, a measure of average salary increases in the private sector), but we believe it strikes an appropriate balance under the current circumstances. Under this pay raise proposal the average enlisted member will still see an increase in pay of \$26 per month. Although this was a

difficult decision, it was a necessary reduction in light of the current fiscal reality and constraints.

Another impact of the uncertainty caused by the constant budget tumult is that the Services are unable to accurately plan for the execution of force management tools in 2014 and beyond, thus decreasing the ability to effectively drawdown their forces while maintaining mission readiness. Many voluntary and involuntary separation force management tools and programs involve separation pay or other monetary incentives. Severe funding decreases or funding uncertainty will hamper each Service's ability to employ these tools across the force making end-strength reductions more difficult. Additionally, a portion of end-strength funding is contingent on Overseas Contingency Operations (OCO) funding since we have relied on OCO funding to ramp up Army and Marine Corps end-strength during the past ten years.

The consequences of sequestration jeopardize the successful FY 2013 military recruiting effort across the Department, and all but assure that FY 2014 recruiting will fall below levels needed to properly sustain the Services. The success of the All-Volunteer Force is dependent on a robust and consistent recruiting. Reductions to recruitment advertising and recruiting support/operations accounts under sequestration will be significant and highly problematic. Services' recruiting commands are largely made up of Active and Reserve Component Service members, but the Military Entrance Processing Stations (MEPS) are manned by roughly 2,300 civilians (80% of the total workforce). The MEPS screen and process over 383,000 applicants for all Services each year and are located at 65 sites serving all states and territories. The impact of civilian furloughs, as well as the hiring freeze, will reduce processing ability by 20% during the summer "graduation surge" when the MEPS typically process 41% of all recruits. Processing will continue under sequestration or a continuing resolution, but priority will be given

to processing current enlistees shipping to basic training at the expense of screening future applicants and establishing future enlistment contracts.

Additionally, as the economy continues to improve as projected the Department will continue to face stiff competition for high-quality recruits. The negative impact of sequestration on operations and training will discourage the best and brightest from joining the military and discourage retention of our most talented Service men and women.

Extended operations under a continuing resolution, as well as the prospect of across the board cuts associated with sequestration, are already having a detrimental effect on our civilian workforce, and the reduced readiness of our military forces is a byproduct. As necessary, components of the Department have implemented hiring freezes, released term and temporary employees, reduced base operating services, and cancelled training. Training activities and missions supported by civilians are being curtailed, as well as equipment maintenance and modernization performed by civilians. As term and temporary civilians are released, and we are unable to fill civilian workforce vacancies due to hiring freezes, line managers and installation managers may turn to military personnel to ensure work is performed. This practice, commonly known as “borrowing” or repurposing military manpower, is contrary to Department workforce management policies. Though the Department will attempt to prevent this, and has issued reinforcing guidance in accordance with workforce management policies, the realities of the current fiscal environment may leave our commanders no choice. Borrowing military manpower adversely impacts the Department’s recruitment, accession, and retention of our All-Volunteer Force and degrades the military’s overall readiness.

If the effects of sequestration and a continuing resolution on military personnel are extremely negative, the effects on civilian personnel in the Department are even more so. The

Department's civilians provide invaluable support to our nation's warfighters. These members of the total force maintain equipment, build the nation's ships, teach our children, and provide medical treatment to our wounded warriors. Without them the Department does not function.

We notified Congress and the civilian workforce on February 20, of the Department's intent to furlough civilians as a necessary result of sequestration, and the consequences are grave. The Department's capabilities and readiness will be severely degraded. Furloughs will be all-encompassing spanning the entire defense civilian workforce, accounting for approximately \$5 billion of the \$46 billion in cuts mandated by sequestration. The Department will apply furlough actions in a consistent and equitable manner, with few exceptions based on unique mission requirements. Individual employee furloughs will not exceed 22 discontinuous work days (176 total hours), the maximum number of furlough days without invoking reduction-in-force procedures.

Furloughs will be disruptive and damaging to our ability to carry out the defense mission, and there are no viable alternatives if sequestration occurs. We anticipate a severe mission impact. We will also create negative morale and financial effects on employees, a significant decline in productivity, and the loss of critical civilian talent. This will be especially damaging for the future as our ability to acquire and retain qualified personnel in high demand fields (e.g., cyber, intelligence, IT) will be predictably degraded. This is made worse by the fact that the Department is already facing a wave of retirements of the most experienced and knowledgeable government civilians.

Furthermore, 68,185 Military (Excepted Service) Technicians that support the Reserve Component and National Guard, who are civilian employees, are not exempt from furlough. This will markedly impact maintenance. The 20% reduction in Military Technician output

would reduce the operational rate of equipment, both ground and air; and training, currency, and readiness will significantly suffer. The most immediate risk will be to our ability to provide a timely response to domestic emergencies.

The current environment of budgetary uncertainty will, without a doubt, have an adverse impact on our ability to effectively, efficiently, and appropriately maintain a balanced total force to include the Department's civilian personnel. The Department's future plans to ensure a sufficient number of federal civilian personnel are available to meet the support needs of our military forces are already jeopardized due to constant funding uncertainty. Civilian workforce and contracted support planning requires a carefully coordinated approach to address operational needs, satisfy mission requirements, and recognize fiscal constraints. Without the ability to properly forecast and plan, the Department will be challenged to be good stewards of the American taxpayer dollars and meet mission requirements in the most cost effective and efficient manner.

IMPACTS ON TOTAL FORCE READINESS

The ability of our Service members to defend our national security is hinged upon being the most technologically advanced, best equipped, and most highly trained force in the world. Sequestration and a continuing resolution would severely inhibit the Department's ability to provide military personnel the operational training and properly maintained equipment needed to address national defense contingencies. The readiness of the force would be gradually depleted.

A year-long continuing resolution combined with sequestration, will result in a force less ready to perform the mission that we expect it to conduct. If the budget reductions continue through FY 2021, as they would under current law, our defense strategy would have to change.

Otherwise, while the units might exist, they would not have the personnel, equipment, and/or training necessary to make them capable of executing today's defense strategy or responding effectively to the most likely contingencies. Additionally, part of avoiding a hollow force is understanding the size of the force we can afford to keep ready and adhering to that plan.

Excess force structure relative to budget reductions leads to inadequately manned organizations. The impact to readiness is exacerbated by the fact that force management tools will be applied across the force, including military personnel, as well as government civilians and contracted support. The end result will be increased focus on garrison support duties at the expense of readiness for primary missions. It was this very issue that drove the Army Chief of Staff, General E.C. "Shy" Meyers in 1979 to declare the "hollow Army."

Despite the grave challenges created by sequestration and the continuing resolution, the Department is wholly committed to ensuring our warfighters in Afghanistan and other contingency operations are properly prepared and equipped for their missions. To protect overseas contingency operations funding, deeper cuts will have to be made to base budget operation and maintenance and investment accounts, depleting the training, maintenance, and procurement profiles for the rest of the force. This causes a "tiered readiness" structure in the ranks of our military personnel. Limited training resources will be focused on preparation of forces about to engage in operational missions, with the rest of the force sitting relatively idle without sufficient resources.

The magnitude of sequestration cuts make it impossible for the Services to avoid decrements to vital training capabilities, training infrastructure, and training deliverables. The Army has stated that decrements to training and maintenance will put two-thirds of their active brigade combat teams outside of Afghanistan at reduced readiness levels. The USS Harry S.

Truman recently announced cancelation of a planned deployment to the CENTCOM AOR, and Navy operations in the western Pacific, including training, will be reduced by as much as one-third. With fewer training and steaming days, the Navy will inevitably reduce unit readiness levels. The Air Force has stated that sequestration cuts to their flying hour program will put flying units below acceptable readiness standards by the end of the fiscal year. The potential furlough of DoD civilians will include civilians at training centers across the country, immediately reducing the quality and quantity of training, with long-lasting impacts on readiness. We have already begun to see the impact of Service O&M budgets being curtailed in anticipation of sequestration. For example, Services have begun to limit support to Combatant Command exercises, which causes the exercises to be cancelled.

Therefore, it is clear that sequestration and a continuing resolution will severely degrade our readiness. And it is the readiness of the total force that is the foundation of our national defense.

IMPACTS ON SUPPORT TO THE TOTAL FORCE

Operational training is only one aspect of the readiness spectrum that will be severely degraded. The overall force readiness includes medical and family readiness, which will also be harmed by these harsh fiscal measures, even as we seek to protect medical and family programs as much as possible. The cuts to the support we provide to our military personnel and their families will directly impact the quality of the All-Volunteer Force, and the Department will have difficulties not breaking faith with the Service members and their families.

There will be significant negative impacts of sequestration and a continuing resolution within the Military Health System, but the Department's focus will remain on providing exceptional care to all beneficiaries. The quality of care and patient safety will be preserved to the maximum extent possible. Wounded warrior programs will remain a top priority, and the Department remains committed to providing uninterrupted health care to beneficiaries both in the Direct Care and the Purchased Care systems to the best of our ability. However, sequestration will result in the loss of roughly \$3 billion in resources from the Defense Health Program in the last half of the year. This will generate a noticeable impact on the provision of health care now and for years to come.

By focusing resources on the provision of patient care under sequestration, the Department will have less funding to address medical facility maintenance and needed restoration and modernization projects. This will negatively affect the care environment and potentially drive substantial bills in the future. The Department will continue to fund projects that affect patient safety or that are emergent in nature, but many of our facilities are older and require substantial upkeep. To delay these projects only exacerbates the problem and ultimately the staff and more concerning, the patients, suffer the consequences.

In order to continue our health care operations, important research projects will be slowed or stopped altogether. Existing equipment will be used longer with the chance for more breakdowns and increased maintenance costs. At some point, equipment becomes obsolete and cannot be repaired any longer. These actions, in response to a sequestration, will substantially delay the benefits of research projects and will drive increased bills for equipment in future years.

When civilian healthcare staff is furloughed, the Department will have considerably less capacity to treat patients in military treatment facilities. In patient care areas, nearly 40% of the full-time equivalent staffing is civilian. We can expect it will cause confusion, inconvenience, and dissatisfaction amongst patients who are accustomed to getting their care in military treatment facilities. This frustration may translate into patients who formerly received care in a military treatment facility now seeking care in the private sector at an increased cost to the Department and the American tax payers.

Although military family programs will be protected to the extent feasible, sequestration will impact funding across the board, and furloughs will impact civilian positions such as those that provide child care and family programs at the installation level. The Department remains committed to providing military families with support programs and resources that empower them to address the unique challenges of military life; these programs are crucial to the quality of life of military members and military families. Under sequestration, however, everything in the Department budget will be considered on the table. We will strive to protect the investment in these valuable programs, however cuts will likely be unavoidable.

Dependent education consistently has been a top priority for the Department and military families. The potential decrements to the Department of Defense Education Activity (DoDEA) and military dependent education programs could be significant and may impact quality of education provided to 84,304 military-connected students in 194 DoDEA schools worldwide. A potential furlough in 2013 will impact two consecutive schools years of instruction: the end of the 2012-2013 school year and the start of the 2013-2014 school year. Although teachers are not exempt from furloughs, the Department intends to implement sequestration in a manner that preserves the ability to provide students a full school year of academic credit, including

completion of final exams, and to maintain school accreditation standards. Achieving these goals may or may not require reducing the number of furlough days for Department teachers. We will have more definitive information in March.

The tuition assistance education program for Service members and their dependents is also subject to budget reductions. The impact of reduced tuition assistance is delays in completing degree programs or credentialing for Service members and dependents. This may force some to withdraw from a qualified program during the school year due to inability to pay tuition.

Defense Commissary Agency (DeCA) operates 247 stores world-wide. In order to accomplish sequestration reductions, DeCA will be forced to implement furloughs of full-time and part-time employees (up to 22 days for the remainder of FY 2013). This could possibly result in closure of each commissary one day a week.

The Department remains committed to providing military families with support programs and resources that empower them to address the unique challenges of military life. While we recognize that these family programs are crucial to the quality of life of Service members and their families and we will strive to protect the investment in these valuable programs to the greatest extent possible, we cannot guarantee that these high priority programs will not feel some of the effects of sequestration.

Furloughs will impact civilian positions that directly provide installation-level support, such as those that provide child care to over 200,000 military families, reducing the number of child care spaces provided daily. Family support programs may have to reduce hours or services in order to accommodate furloughs and hiring freezes, which include programs such as New Parent Support, and Family Advocacy programs. All of these programs play a role in supporting

military and family readiness and quality of life. Service members may find their out-of-pocket expenses increasing to accommodate the reduction or loss of these family support programs. We will attempt to minimize the effects of sequestration upon family programs, but it will be important to prioritize programs and continue to operate them in the most efficient manner possible.

Sequestration would likely result in the furloughing of civilian employees that provide curriculum, counseling, and training in the Department's Transition Assistance Program (TAP). TAP prepares separating Service members to be "career ready" for civilian employment, or technical training and academic pursuits. Due to sequestration civilian employees and associated contracted support will not be available to support the large number of separating and inactivating Reserve and National Guard Service members scheduled for discharge or release from Active Duty for the remainder of 2013 and FY 2014. Consequently, potentially thousands of transitioning Service members will not receive needed preparation for their new civilian lives.

National Guard and Reserve Service and family member programs, such as the Yellow Ribbon Reintegration Program (YRRP), Employer Support of the Guard and Reserve (ESGR) and the Hero2Hired (H2H.Jobs) employment initiative, are critical to supporting our Reserve Component members. In the event of sequestration, the Services will have less funding to hold events that address the increased stress of deployments. Should this occur, it has the potential to negatively affect the readiness and resiliency of our Reserve and National Guard Service members and their families.

Our nation's Service members and their families deserve better. Sequestration and a continuing resolution keep the Department from providing the total force with the support and assistance their sacrifices merit.

PERSONNEL & READINESS AREAS TO AVOID IMPACT

As detailed above, we cannot escape the significant effects of sequestration on our Service members and their families. However, as the President, Secretary of Defense Panetta, and other leaders of the Department made clear, we will protect wounded warrior care. Furthermore, while we cannot guarantee zero impact, we will do everything possible to protect programs critical to keeping faith with our Service members. These include suicide prevention, sexual assault prevention and response, and family support programs. In addition, two major policy changes recently announced by the Department – eliminating the remaining gender-based barrier to service and extending same-sex partner benefits will continue to move forward.

Despite any fiscal difficulties the Department will face due to sequestration and a continuing resolution, our obligations to those who have sacrificed the most, our wounded warriors, will be fulfilled. Our continued focus on their world class medical treatment, mental health, rehabilitation, and when feasible re-indoctrination to military service, will continue unabated regardless of the fiscal environment. Collaboration with multiple partners including the Department of Veterans Affairs will continue, and important programs such as Recovery Coordinator Program and prompt delivery of benefits will maintain funding whatever political outcomes occur. Our wounded warriors and their families deserve the very best, no matter what, for their sacrifice.

The suicide rate among the Military Services rose from 2001 to 2009, from 10.3 to 18.3 suicides per 100,000 Service members. We are very troubled by this trend and are working to address prevention and resilience. In response to an Executive Order issued in August 2012, Defense Suicide Prevention Office (DSPO), the Military Services, and the Department of

Veterans Affairs are leading a 12-month, help-seeking campaign to encourage Service members, Veterans, and their families to use the 24/7 Military Crisis Line. To ensure Service members in theatre can access the same level of care, DSPO established a similar peer support hotline in Afghanistan and is working to set up hotlines in Japan and Korea.

Other initiatives include working with the Military Services to provide resilience support and prevention services. For example, we are providing peer support through the Vets4Warriors support line; working with DoD chaplains to expand Partners in Care, a program encouraging Service members and families to obtain support via faith-based organizations; and exploring the feasibility of using therapeutic sentencing techniques developed by Veterans Treatment Courts in military justice proceedings for Service members. Even one suicide is too many, and we must continue our efforts in spite of draconian funding decrements.

The Department will also continue to support victims of sexual assault to the greatest extent possible, and continue our efforts to prevent sexual assault. The Department will continue its efforts in prevention initiatives including programs to target individual and unit prevention skills and attitudes; research on military predators; and detailed reviews of effective military, civilian, and college prevention efforts and programs. We are currently conducting enhanced training for commanders and senior enlisted personnel, developing core competencies for sexual assault prevention and response training at all levels, and creating competencies for Sexual Assault Response Coordinators and Victim Advocates. In addition, we are establishing Special Victims Capability in each Military Service, which includes combining specially trained experts in legal and investigative fields to enable enhanced investigation and prosecutions.

Sequestration and a continuing resolution may delay the development and validation of gender-neutral standards and delay the Services in modifying training and berthing facilities to

accommodate women. However, we will be on track to fully implement the opening of combat occupational specialties to women by January 1, 2016. Positions will be opened to women following service reviews and the congressional notification procedures established by law. Secretary of Defense Panetta directed the military departments to submit detailed plans by May 15 for the implementation of these changes, and to move ahead expeditiously to integrate women into previously closed positions.

Likewise, on February 11, 2013, the Secretary of Defense announced the extension of various benefits to same-sex domestic partners, and, where applicable, children of same-sex domestic partners. Implementation of these benefit changes will require substantial policy revision, training, and in the case of identification cards, technical upgrades. Our plan is to make certain benefits will be made available to same-sex domestic partners by August 31, 2013, but in no case after October 1, 2013.

CONCLUSION

Without immediate and decisive action from Congress, our national security will be harmed from the results of sequestration and a continuing resolution for FY 2013. The Department understands its responsibility to contribute to budget discipline and fiscal responsibility, but budgets should be determined in a planned, calculated, and efficient manner in support of a national defense strategy—not with an across-the-board slash. Our warfighters, their families, our nation’s security, economic recovery, and future place at the global table should not and cannot be held hostage by irresponsible fiscal policies like sequestration. Thank you for the opportunity to speak with you today on these important matters, and I look forward to your questions.