

RECORD VERSION

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BEFORE THE

**SUBCOMMITTEE ON TACTICAL AIR AND LAND FORCES
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES**

FIRST SESSION, 115TH CONGRESS

ON

**THE EFFECT OF SEQUESTRATION AND CONTINUING RESOLUTIONS ON
MODERNIZATION AND READINESS**

MARCH 16, 2017

**NOT FOR PUBLICATION UNTIL RELEASED BY THE
COMMITTEE ON ARMED SERVICES**

Introduction

Chairman Turner, Ranking Member Tsongas, distinguished Members of the Subcommittee on Tactical Air and Land Forces, thank you for this opportunity to discuss the effect of sequestration and continuing resolutions on modernization and readiness. On behalf of our Acting Secretary, the Honorable Robert Speer, and our Chief of Staff, General Mark Milley, we look forward to discussing with you the effect of fiscal constraints on the Army's ability to ready its forces.

The global security environment, increasingly characterized by instability and a growing range of threats, demands an Army that must be organized and ready for an increasingly diverse and complex range of missions. While the threats and missions we face today will endure well into the future, they will be overshadowed by emerging regional peer competition. More than ever, this environment will require trained and ready Army formations possessing both the capacity and capability to meet current and future challenges.

Due to the Budget Control Act of 2011 (BCA) caps, and year after year continuing resolutions, the Army had to generate the best trained and equipped Army that existing resources would allow. As such, the Army accepted considerable risk by reducing end-strength and deferring modernization programs and infrastructure investments. These trade-offs reflect constrained resources, not strategic insight; and while we appreciate your support in helping stem the tide of force structure reductions, our restored strength must be coupled with sufficient and sustained funding to avoid creating a hollow force.

As stated above, the budget caps forced the Army to make resourcing tradeoffs between ready formations and critical modernization programs. As a result, most Army modernization programs have been significantly reduced or delayed. These programs, due to their development timelines and reliance on the industrial base, are especially sensitive to unpredictable or delayed funding. BCA caps and continuing resolutions increase risk in our modernization programs and cause delays in getting necessary equipment into Soldiers' hands. Sustained, long-term, predictable funding is essential

for the Army to build and sustain current readiness and progress toward a more modern and capable future force.

Readiness

Readiness remains the number one priority for the Army. BCA caps and the lack of predictable funding has proven to be the Army's number one readiness risk. The BCA budget caps support a decreasing demand for forces but the current and emerging environment resulted in the opposite – an increasing demand for forces. While demand for current forces increased, budget caps and continuing resolutions squeezed the resources needed to maintain balance within the force. Repealing or revising the BCA and ensuring sufficient funding to train, man, equip and modernize the Fiscal Year 2017 (FY17) National Defense Authorization Act (NDAA) authorized force will prove most beneficial to Army readiness.

Today, the Army remains globally engaged with over 182,000 trained and ready Soldiers committed to meeting Combatant Command deterrence and counter-terrorism requirements. The strategic challenge we face revolves around the fact that the operation tempo required to meet current and emergent demand consumes readiness as fast as we can supply it. As a consequence, the Army is in a position where we can support current Combatant Commander requirements, however, we are exposed to high risk in the Army's ability to meet potential war-time contingency requirements.

The end-strength authorizations associated with the FY17 NDAA will significantly help the Army mitigate the strategic contingency risk. These authorizations are absolutely necessary to man our current formations at higher levels and are the first step required to meet our readiness objectives. We are analyzing our brigade combat team force mix and the implications of converting an Active Army Infantry Brigade Combat Team into a 15th Armored Brigade Combat Team (ABCT). This increased armor capacity may provide the needed flexibility to meet extant threats around the globe. We are implementing the build of two Security Force Assistance Brigades (SFABs), one in the Regular Army and one in the Army National Guard and are evaluating the addition of another Regular Army SFAB to better support our partners and preserve BCT

readiness. These SFABs will also serve as the backbone of new brigades if the Army is ever called to rapidly expand. To address mounting challenges in the cyber domain, the Army is building 41 Cyber Mission Force teams. Currently, 30 of the Army's 41 teams are at full operating capability, and 11 more are planned to be at full operating capability by FY18.

These additional end strength increases will significantly help in rebuilding critical unit types and develop crucial anti-access and area denial defeat capabilities, such as Air and Missile Defense, Long Range Fires and ABCTs. As stated previously, it is vital that any manpower increase must be coupled with commensurate funding to ensure the long-term strength in preparing, equipping and modernizing the force.

As we refill unit end strength requirements and build new force structure, we are implementing training policies that will enable us to achieve and sustain higher readiness levels. We have stabilized Army readiness levels despite supporting eight named operations.

The current global security environment demands a shift in focus to support Joint operations against a broader range of threats, and we use the most demanding challenge – decisive action in support of Unified Land Operations – as our benchmark. Simulating the decisive action challenge – that is, recreating a peer competitor in a training environment for all echelons of command – requires sustained resources. With the last disruption of funding we were forced to leave our Combat Training Centers (CTCs) empty while the units scheduled to train had their readiness degrade. This significantly degraded the readiness of the affected units. We have prioritized getting units back through the CTCs, despite budgetary pressures. We completed 18 Decisive Action rotations in FY16, and project increasing that to 19 in FY17 and the plan is to grow to 20. To maximize the return on CTC rotations, units also need home station training support from their installations. Home station is where units develop their individual and small unit tasks, allowing them to put it all together as a combined arms team at a CTC.

The Army is one Total Force, and Army National Guard and Army Reserve units deploy regularly and are integral for our contingency plans. The Army has programmed increased manning, training days, and CTC rotations to enhance Army National Guard and Army Reserve readiness. These increases are not an across-the-board uptick. They are targeted by unit type to address prescribed readiness levels based on operational demand. Units that must be available immediately, such as Army National Guard ABCTs and Stryker BCTs, will have additional training days to enable their rotations through a CTC. In cases where plans allow units more time to deploy, fewer additional training days are programmed. As with the Regular Army, we have reduced the burden of mandatory training on Army National Guard and Army Reserve units by decreasing its frequency and giving more discretion to commanders. These administrative training requirements eat up time at home station that is vital to preparation for a CTC rotation.

The Army made significant progress implementing a new force generation methodology called Sustainable Readiness to maintain established readiness longer, regain combined arms lethality, and develop key capabilities. We will begin implementing Objective Training requirements in FY17 in support of Sustainable Readiness. Sustainable Readiness applies to the Total Force, allowing the integration of Reserve Component units into readiness decisions, which is not only advantageous but vital as we increasingly integrate Reserve Component forces into our global management of forces.

In addition to the Active Component changes, the Army has increased operational use of the Army National Guard and the Army Reserve to support Joint Force requirements around the globe. This trend will continue. We continue to emphasize increased readiness in our Reserve Component units by building multi-component and associated units to enhance Total Force integration. In addition, we are building 21 Cyber Protection Teams in the RC, with 11 teams in the Army National Guard and 10 teams in the Army Reserve. Today, three Army National Guard Division Headquarters, along with numerous other formations, are supporting geographic combatant commanders here at home and around the world. With the support of Congress, the Army can

maintain the appropriate force mix and Total Force readiness to sustain these vital operations worldwide.

Modernizing the Force

Challenges to Army modernization have been building over the course of nearly two decades. Adjusting for inflation, the Army has nearly half of the funding for modernization and equipment that it had just 8 years ago. Declining budgets drive difficult choices; we have faced this over many budget cycles.

The budget issue has been further complicated by 15 years of focus on counterinsurgency and counterterrorism as the Army addressed current needs in Afghanistan and Iraq. This was the right thing to do, but it required tradeoffs in modernization funds. The Army, fully aware of these tradeoffs, made the right choices to support our Soldiers for the missions and threats we faced at that time. This kind of approach led to the fielding of Mine Resistant Ambush Protected vehicles, increasing the number of UH-60s for Air Medical Evacuation, and rapid fielding of theater-specific equipment for our Soldiers.

In terms of procurement, we are essentially relying on the same platforms that we have had since the 1980s—the Big 5, consisting of the Abrams Main Battle Tank, Bradley Fighting Vehicle, Apache Attack Helicopter, Blackhawk Utility Helicopter, and Patriot Missile System. The Army developed these systems to provide a credible deterrent during the Cold War. Given the current level of funding, we will continue to rely on all five platforms into the 2030s and beyond.

Meanwhile, our enemies have not been idle. The overmatch the Army has enjoyed for the last 70 years is at risk. Our adversaries have observed the way we fight and have been developing capabilities to counter our strengths and exploit our vulnerabilities. Some of these new capabilities have already been tested in combat.

Fiscal constraints have forced the Army to accept risk in starting new programs in order to prioritize incremental upgrades of existing systems that can be in the hands of Soldiers quickly. Over the last 15 years, the Army has not modernized for full spectrum

warfare thereby risking the loss of overmatch in every domain: land, air, maritime, space, and cyberspace.

Our Soldiers must be able to prevail against a range of threats, including near-peers in highly lethal combined arms maneuver; hybrid warfare; and determined, unconventional insurgents. This has become increasingly uncertain, as our adversaries are modernizing at a rapid pace, while reduced funding, due in part to the BCA has reduced the Army's modernization to a pace that jeopardizes our overmatch. Stretching procurement timelines has allowed us to focus on current readiness and keep production lines and key programs active, at the cost of increased risk versus our most capable adversaries.

Prioritizing Capability Gaps

This year, the Army conducted the inaugural Strategic Portfolio Analysis Review (SPAR), which enables Army senior leaders to make informed resource decisions within a larger strategic framework. The SPAR prioritizes limited modernization resources, weighed against risks and critical capability gaps, in order to balance near-term readiness requirements against long-term force development. As part of the SPAR we modeled and tested our 780-plus programs against a scenario with a near-peer adversary. This analysis resulted in the prioritization of Army capabilities into four bins:

1. Critical Capability that provides a decisive advantage in which we should increase investment
2. Critical Capability that we should sustain at current levels of investment
3. Important Capability, but one from which we can divert resources
4. Still important, but we should divest in order to free up resources for the other categories.

SPAR has validated a number of critical capability gaps in key program areas. These gaps are Army modernization priorities that we must pursue in order to maintain and, eventually, regain overmatch to credibly deter and defeat near-peer adversaries.

- Air and Missile Defense (AMD). We lack the capability and capacity to meet the AMD demands of the combatant commanders to cover key fixed sites and provide effective AMD protection of the maneuvering forces.
- Long-range Fires. The Army lacks capability and capacity to provide immediately responsive, effective surface-to-surface fires at ranges beyond 40 kilometers (km) for Cannon Artillery, beyond 84 km for Rocket Artillery, and 300 km for missiles; this gap is partially due to the aging Army Tactical Missile System (ATACMS) inventory.
- Munitions. The Army anticipates significant increases to ammunition requirements based on emerging peer and near-peer threats while also increases in demand in Iraq and Afghanistan. We are evaluating the need to both grow capacity in some of our government owned and contractor operated ammunition plants and to broaden commercial capacity in order to meet the increased requirements for preferred munitions.
- Mobility, Lethality and Protection of Brigade Combat Teams. Our Armored, Infantry, and Stryker Brigade Combat Teams are deficient in the appropriate combination of mobility, lethality, and protection required to achieve overmatch during joint and combined arms operations.
- Active Protection Systems (APS) – Air and Ground. The proliferation of advanced man portable air defense systems significantly threaten Army Aviation in operational environments. On the ground, our combat vehicles lack the ability to effectively detect, track, divert, disrupt, neutralize, or destroy incoming direct and indirect fire munitions.
- Assured Position, Navigation, and Timing (PNT). The commercial and Military Global Positioning Systems (GPS) are susceptible to threat disruption (jamming) and spoofing (mimicking friendly forces).
- Electronic Warfare (EW). The Army is unable to conduct Electronic Attack and EW Support against near-peer adversaries.

- Cyber (Offensive and Defensive). We lack tools, platforms, and architectures to conduct Offensive Cyber Operations in the constantly changing, complex Cyber Domain. The Army also lacks sufficient Defensive Cyber infrastructure and tools to support Mission Command in all scenarios.
- Assured Communications. Current communications systems are vulnerable to near-peer threat detection, disruption/denial, and exploitation.
- Vertical Lift. The Army's increased requirements for aircraft survivability, safety, and Mission Command have reduced fleet payload and range capacity. This limits mobility and increases risk to ground forces.

Resourcing Modernization

With respect to the budget, the Army has three main categories within the topline that it can adjust: Manpower, Readiness, and Modernization. Of these three, Readiness is our top priority. We are also committed to maintaining our current projected force structure. Any adjustments to these three categories are zero sum; there must always be a "bill payer" for every increase. Inflation and scheduled increases to personnel costs put increasing pressure on the Modernization portion of the budget.

Given this set of priorities, the FY17 President's Budget request allocated about 60 percent of the Army's topline to Manpower. This is a must-pay bill. Readiness will consume approximately 24 percent of our budget; as the number one priority, the Army will not choose to reduce this allocation. This leaves roughly 16 percent for Modernization.

Ideally, we would always have the most modern equipment, but this would require painful tradeoffs with Manpower and Readiness. We would like to do all three, but large modernization investments at the wrong time could lead to a force that is too small or a force that we cannot afford to keep ready. Maintaining balance across Manpower, Readiness, and Modernization is key to preventing a hollow force. Without sustained, long term, and predictable funding, we cannot effectively plan and execute a balanced Army program.

Given the fiscal pressures, the Army has focused constrained resources on equipping for the near term at the expense of preparing for the future. The Army is accepting risk in starting new programs in order to prioritize incremental upgrades of existing systems that can be in the hands of Soldiers more quickly. Our current equipment modernization strategy has been structured to:

Protect Science and Technology to field capabilities to the force in the 2030s. We will prioritize Science and Technology efforts to develop new military capabilities to deter and defeat potential adversaries in the next fight.

Sustain Incremental Upgrades. We will prioritize capabilities that have the greatest impact against a near-peer threat and can be in Soldiers' hands in the next 10 years. We will sustain or upgrade important platforms such as M1 Abrams Tank, M2 Bradley Fighting Vehicle, Stryker Combat Vehicle, Soldier weapons, and Intelligence, Surveillance, and Reconnaissance platforms.

Take Risk in New Development. The Army will begin new developmental programs only if required to close an extremely high risk gap. We will attempt to accelerate Air and Missile Defense, Long Range Fires, Mobile Protected Fire Power, Active Protection Systems (Air and Ground), Assured Positioning, Navigation and Timing, Electronic Warfare, and Cyber offensive and defensive capabilities, and Assured Positioning, Navigation and Timing.

Go Slow, Keep Options Open. We will slow down procurement to keep production lines open and warm for when funding becomes available.

Divest. We will identify equipment and systems that are excess, obsolete, or no longer required to reduce and eliminate the associated sustainment costs.

Identifying Opportunities to 'Turn the Tide'

Given the complex range of threats, the Army has a very short window to restore capability and capacity of our Army. By design, the Army drawdown was deliberately designed to reverse course and expand if necessary. Additionally, Army modernization,

during the past several years of constrained funding and austerity maintained its resilience by:

- Protecting the defense industrial base by keeping production lines warm
- Protecting modernization options by investing in the next generation of incremental improvements, emphasizing low risk and cost efficient improvements

We have sustained many programs that could be accelerated if needed. The Army is prepared to accelerate delivery of fires capability, armor formation upgrades, aviation fleet modernization, enhanced air and missile defense, ammunition and missiles for emerging wartime requirements, lethality upgrades for Stryker vehicles, assured communications, Soldier lethality and protection and finally, electronic warfare. The Army is at a unique historical inflection point, where we are postured to pivot rapidly if directed to do so.

In Conclusion

Thank you for the opportunity to address such a critical issue for the Army – the effect of the BCA caps and continuing resolutions on Army readiness and modernization. We appreciate Congress's efforts to stem the continued decrease in force structure, and we are already making progress in regrowing the Army in accordance with NDAA prescribed end strength. As we grow, we will focus first on filling the holes in our existing units as our top priority. Our current plan, coupled with adequate levels of predictable funding and stable demand, will restore sufficient Army readiness in our current force by FY21-23. In addition to readiness, we must also ensure the force is equipped and modernized for full spectrum conflict. The security challenges of tomorrow will be met with the equipment we develop, modernize, and procure today. Because adversaries will continue to invest in technology to counter or evade U.S. strengths and exploit vulnerabilities, resource reductions and insufficient force modernization will place the Army's ability to overmatch its opponents at risk.

We can assure you that the Army's senior leaders are working hard to address current challenges and the needs of the Army now and in the future. We are doing so

with a commitment to be good stewards of our Nation's resources while meeting the readiness, equipping and modernization needs of our Soldiers.

Mr. Chairman and distinguished Members of this Subcommittee, we sincerely appreciate your steadfast and strong support of the outstanding men and women in uniform, our Army Civilians, and their Families.