



June 14, 2017

Review of the FY2018 Budget Request for the U.S. Dept. of Defense

Subcommittee on Defense, Committee on Appropriations, United States
Senate, One Hundred Fifteenth Congress, First Session

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**Chairman Thad Cochran Opening Statement
Committee on Appropriations Subcommittee on Defense**

**Hearing to Review the Fiscal Year 2018 Budget Request
for the U.S. Department of Defense
June 14, 2017**

(As prepared for delivery)

The Subcommittee will please come to order.

I want to begin today by acknowledging the sad incident this morning in Alexandria, Virginia, and to commend the service of the U.S. Capitol Police. Our thoughts are with those who were injured, and hope for their speedy and full recovery.

Today we will receive testimony for the budget request submitted by the Department of Defense to Congress for the 2018 fiscal year. We are pleased to have with us today:

- The Honorable James N. Mattis, Secretary of Defense
- General Joseph F. Dunford, Jr., Chairman of the Joint Chiefs of Staff

We are very pleased with their attendance and for providing us with our needs to review the budget request. This is their second appearance before the Subcommittee this year. We thank you for your distinguished service and your commitment to the defense and security of our nation.

We look forward to hearing more about the budget request for the Department of Defense. The committee needs to respond to this request in a responsible way to ensure the military is prepared to meet current and future threats.

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SECRETARY OF DEFENSE JIM MATTIS
SENATE APPROPRIATIONS SUBCOMMITTEE ON DEFENSE
WRITTEN STATEMENT FOR THE RECORD
WEDNESDAY, JUNE 14, 2017

Chairman Cochran, Ranking Member Durbin, distinguished members of the committee, I appreciate the opportunity to testify in support of the President's budget request for Fiscal Year 2018.

I am pleased to be joined by Chairman Dunford.

This budget request holds me accountable to the men and women of the Department of Defense. Every day, more than two million Service members and nearly one million civilians do their duty, honoring previous generations of veterans and civil servants who have sacrificed for our country. I am mindful of the privilege it is to serve alongside them.

We in the Department of Defense are keenly aware of the sacrifices made by the American people to fund our military. Many times in the past we have looked reality in the eye, met challenges with Congressional leadership, and built the most capable warfighting force in the world. There is no room for complacency and we have no God-given right to victory on the battlefield. Each generation of Americans, from the halls of Congress to the battlefields, earn victory through commitment and sacrifice.

And yet, for four years our military has been subject to or threatened by automatic, across-the-board cuts as a result of sequester – a mechanism meant to be so injurious to the military it would never go into effect. In addition, during nine of the past ten years, Congress has enacted 30 separate Continuing Resolutions to fund the Department of Defense, thus inhibiting our readiness and adaptation to new challenges.

I need bipartisan support for this budget request. In the past, by failing to pass a budget on time or eliminate the threat of sequestration, Congress sidelined itself from its active Constitutional oversight role. It has blocked new programs, prevented service growth, stalled industry initiative, and placed troops at greater risk. Despite the tremendous

efforts of this committee, Congress as a whole has met the present challenge with lassitude, not leadership.

For much of the past decade, my predecessors and prior members of the Joint Chiefs of Staff testified that sequestration and the continued use of Continuing Resolutions would result in a steady erosion of military readiness. In 2013, then-Secretary of Defense Leon Panetta, former Chairman of the House Budget Committee and the former Director of the Office of Management and Budget, testified sequester was “guaranteed to hollow out the force.”

I retired from military service three months after sequestration took effect. Four years later, I returned to the Department and I have been shocked by what I’ve seen with our readiness to fight. For all the heartache caused by the loss of our troops during these wars, no enemy in the field has done more to harm the readiness of our military than sequestration. We have only sustained our ability to meet America’s commitments abroad because our troops have stoically shouldered a much greater burden.

It took us years to get into this situation. It will require years of stable budgets and increased funding to get out of it. I urge members of this committee and Congress to achieve three goals:

- First, fully fund our request, which requires an increase to the Defense budget caps;
- Second, pass a FY 2018 budget in a timely manner to avoid yet another harmful Continuing Resolution; and
- Third, eliminate the threat of future sequestration cuts to provide a stable budgetary planning horizon.

Stable budgets and increased funding are necessary because of four external forces acting on the Department at the same time.

The first force we must recognize is 16 years of war. This period represents the longest continuous stretch of armed conflict in our Nation’s history. In more than a quarter

century since the end of the Cold War, our country has deployed large-scale forces in active operations for more months than we have been at peace.

When Congress approved the All-Volunteer Force in 1973, our country never envisioned sending our military to war for more than a decade without pause or conscription. America's long war has placed a heavy burden on men and women in uniform and their families.

In recognition of these demands, Congress devoted more resources to recruiting and retaining members of the military. As a result, personnel costs as a fraction of the defense budget have risen over time.

Meanwhile, the war has exhausted our equipment faster than planned. Congress and the Department could not anticipate the accumulated wear and tear of years of continuous combat use. We have had to procure replacement gear and spend more money to keep gear serviceable and extend its service life. Due to this extensive use of our equipment across the force, operations and maintenance costs have also increased, rising faster than the rate of inflation during the past 16 years.

Worn equipment and constrained supplies have forced our personnel to work overtime while deployed or preparing to deploy. That too has placed an added burden on the men and women who serve and on their families. This further degrades readiness in a negative spiral, for those not in the fight are at a standstill, unable to train as their equipment is sent forward to cover shortfalls or returned for extensive rework.

My predecessor, Secretary Gates, stated annualized real defense budget increases and efficiencies of two to three percent above inflation are needed to sustain the All-Volunteer Force in a way that keeps personnel, modernization, and readiness accounts in balance. In the six years since the passage of the Budget Control Act, a period of declining, flat, or modestly increasing budgets, we have not kept this balance.

Not long ago we convinced ourselves that when we pulled out of Iraq and ceased combat operations in Afghanistan, we would take two or three years to "reset and

reconstitute” the force. Today’s operations dictate the best we can do is “reset and reconstitute in stride,” a reality that imposes its own stress on the Force.

A second concurrent force acting on the Department is the worsening global security situation. Our challenge is characterized by a decline in the long-standing rules-based international order, bringing with it a more volatile security environment than any I have experienced during my four decades of military service.

The most urgent and dangerous threat to peace and security is North Korea. North Korea's continued pursuit of nuclear weapons and the means to deliver them has increased in pace and scope. The regime’s nuclear weapons program is a clear and present danger to all, and the regime’s provocative actions, manifestly illegal under international law, have not abated despite United Nations’ censure and sanctions.

We also look on the prospect of a new era, one governed by today’s economic realities and returning once again to a balance of powers. A return to Great Power competition, marked by a resurgent and more aggressive Russian Federation and a rising, more confident, and assertive China, places the international order under assault. Both Russia and China object to key aspects of the international order so painstakingly built since the end of World War II. Both countries are making their objections known by challenging established international norms, such as freedom of the seas and the sovereignty of nations on their periphery.

Moreover, the breakdown of the broader Mideast order has given rise to terrorist groups, including Al-Qaeda and the Islamic State of Iraq and Syria (ISIS). Security vacuums have allowed a revolutionary Iranian regime to sow violence, provoke wider Sunni-Shia confrontation, and pursue regional hegemony. More broadly, this need to preserve our security also requires us to sustain the international presence in Afghanistan to help stabilize the South Asia region and deny terrorists a safe haven.

Instability in the Middle East spills over into other regions. Extremists and extremist ideologies have spread to Europe, Africa, and Asia. Numerous countries are dealing with forced migration of people seeking to escape violence and despair, reminding us

that problems originating in ungoverned or combat torn areas don't remain there. The United States is engaged in the Middle East to help restore order and give the people who live there a more hopeful future, building a better security situation for Americans who want a safer and more prosperous world for our future.

As one observer of the world has noted, we are "faced with two problems: first, how to reduce regional chaos; second, how to create a coherent world order based on agreed-upon principles that are necessary for the operation of the entire system." That observer, Dr. Henry Kissinger, and his fellow members of the Greatest Generation witnessed first-hand the costs of military unpreparedness. They learned the paramount need to prevent hostile states from gaining dominance. And they understood that while there is no way to guarantee peace, the surest way to prevent war is to be prepared to win one.

Under any circumstances, however, reducing regional chaos in tandem with our interagency partners and international allies to help foster a coherent order requires adequate diplomatic and military resources.

Adversaries contesting the United States constitute a third force impacting the Department. For decades the United States enjoyed uncontested or dominant superiority in every operating domain or realm. We could generally deploy our forces when we wanted, assemble them where we wanted, and operate how we wanted. Today, every operating domain is contested.

Outer space, long considered a sanctuary, is now contested. This creates the need to develop capabilities and capacities for more resilient satellites designed to withstand persistent kinetic and non-kinetic attack.

Our dominance of the air is challenged by the proliferation of advanced integrated air defense networks and 5th-generation aircraft. The F-35 Joint Strike Fighter program, longer range weapons, and unmanned systems will help us impose our will on potential adversaries while preserving our aircraft and crews in combat.

Our command of the seas is threatened by long-range, land-based guided munitions battle networks designed to attack our ships at increasingly longer ranges. Our undersea superiority, unquestioned since the end of the Cold War, and a key competitive advantage, is challenged by both Russia and China.

Our dominance on land in conventional, high-end combined arms maneuver is threatened by the introduction of long-range air-to-surface and surface-to-surface guided weapons, advanced armored vehicles and anti-tank weapons, and tactical electronic warfare systems.

Cyberspace is now a contested operating realm at the strategic, operational, and tactical levels of war.

Finally, our air, naval, ground and logistics bases are all under threat of accurate, all-weather, day-night guided munitions bombardment. This will complicate our operations and make passive and active base defenses more necessary and urgent.

A fourth concurrent force acting on the Department is rapid technological change. Among the other forces noted thus far, technological change is one that necessitates new investment, innovative approaches, and when necessary, new program starts that have been denied us by law when we have been forced to operate under Continuing Resolutions.

Rapid technological change includes developments in advanced computing, big data analytics, artificial intelligence, autonomy, robotics, miniaturization, additive manufacturing, meta-materials, directed energy, and hypersonics – the very technologies that ensure we will be able to fight and win the wars of the future.

Many of these advances are driven by commercial sector demands and research and development. New commercial technologies will change society, and ultimately, they will change the character of war. The fact that many of these technological developments will come from the commercial sector means that state competitors and

non-state actors will also have access to them, a fact that will continue to erode the conventional overmatch our Nation has grown so accustomed to.

In this competitive environment, the Department must pay much more attention to future readiness, and regaining our Joint Force conventional overmatch over time. We must be willing and able to tap into commercial research, recognize its military potential, and develop new capabilities and the operational and organizational constructs to employ them faster than our competitors.

We must also be prepared to deal with technological, operational, and tactical surprise, which requires changes to the way we train and educate our leaders and our forces, and how we organize for improved Departmental agility.

Improving our future readiness, rapid adoption of off the shelf technologies, and preparing to deal with surprise are critical to modernization efforts, but constrained budgets and acquisition regulations have limited our ability to keep pace with rapid changes and sustain our competitive advantage.

In response to these realities, the Department must develop new weapons and capabilities, adjust concepts of operations, adapt our training, and spend more time war-gaming and exercising to improve our ability to fight and win.

Each of these four forces – 16 years of war, the worsening security environment, contested operations in multiple domains, and the rapid pace of technological change – require stable budgets and increased funding to provide for the protection of our citizens and for the survival of our freedoms. Because as expensive as it is for the American people to fund the military, it is far less costly in lives and treasure than a conventional war that we are unable to deter because we are seen as weak.

I reiterate that security and solvency are my watchwords as Secretary of Defense. The fundamental responsibility of our government is to defend the American people, providing for our security—and we cannot defend America and help others if our Nation is not both strong and solvent. So we in the Department of Defense owe it to the

American public to ensure we spend each dollar wisely. President Trump has nominated for Senate approval specific individuals who will bring proven skills to discipline our Department's fiscal processes to ensure we do so.

This first step to restoring readiness is underway thanks to Congress' willingness to support the Administration's request for additional resources in FY 2017 to rebuild our most urgent needs. Your support of \$21 billion in additional resources allowed the Department to address immediate warfighting readiness shortfalls and to help fund the acceleration of the fight against ISIS.

This additional FY 2017 funding addresses vital warfighting readiness shortfalls, a necessary investment to ensure our military is ready to fight today, by putting more aircraft in the air, ships to sea, and troops in the field. Additionally, the funding provided for more maintenance, spare parts, training time, flying hours, munition stocks, and manpower.

We all recognize that it will take a number of years of higher funding delivered on time to restore readiness. To strengthen the military, President Trump requested a \$639.1 billion topline for the FY 2018 defense budget. Of this topline, \$574.5 billion supports Department of Defense base budget requirements – warfighting readiness and critical program requirements, including intelligence community requirements. The balance, \$64.6 billion, supports Overseas Contingency Operations (OCO) requirements.

The Department's FY 2018 base budget with its \$52 billion increase above the National Defense Budget Control Act cap is the next step to building a larger, more capable, and more lethal joint force. The FY 2018 budget reflects five priorities: restoring and improving warfighter readiness, increasing capacity and lethality, reforming how the Department does business, keeping the faith with Service members and their families, and supporting Overseas Contingency Operations.

The first priority is continuing to improve warfighter readiness begun in FY 2017, filling in the holes from trade-offs made during 16 years of war, and six years of continuing resolutions and Budget Control Act caps. This budget request, as directed by the

National Security Presidential Memorandum “Rebuilding the U.S. Armed Forces” issued on January 27, 2017, identifies and improves shortfalls in readiness, specifically in training, equipment, maintenance, munitions, modernization, and infrastructure.

The 30-Day Readiness Review, completed as part of the development of the FY 2017 Request for Additional Appropriations, identified significant challenges to recovering readiness, including budget uncertainty, high operational tempo, and the time required to rebuild readiness properly. As a result of this review, the Department submitted the FY 2018 budget request to enable the Joint Force to counter national security threats, fulfill steady-state demand, and implement readiness recovery plans.

The Army remains globally engaged with more than 180,000 Soldiers committed to combatant command deterrence and counterterrorism operations. The FY 2018 budget will restore a larger, more capable and lethal modernized force to defeat emerging regional and global near-peer adversaries. Combat Training Center rotations and home station training will help the Army develop capabilities for full-spectrum warfare. Additional Soldiers, training, and equipment will enable the Army to make significant progress towards restoring and sustaining readiness longer.

The Navy will continue implementation of its Optimized Fleet Response Plan, reduce the long-term maintenance backlog, and train to ensure the Fleet is ready to fight. Requested funding provides stable and predictable maintenance and modernization plans, and forces trained to a single full-mission readiness standard. Predictably building readiness with continued implementation of the Optimized Fleet Response Plan will increase aircraft carrier availability, fund ship operations to the anticipated level of required operational days, and improve quality of work and quality of life for Sailors.

The Air Force will restore funding to its Flying Hour Program, increase aircraft sustainment, and grow training resource availability. These steps will enable personnel to regain proficiency in critical skill areas. Investments into training ranges will increase capacity and modernize the simulated threats our young men and women need to overcome to counter adversaries. The Air Force will also invest in home station high-end training, reducing the requirement to deploy for training.

The Marine Corps is committed to remaining capable of responding to crises anywhere around the globe. FY 2018 investments emphasize readiness for deployed and next-to-deploy forces, maintenance for aging platforms, and funding to maintain critical modernization programs. Fully integrated Combined Arms Exercises for all elements of the Marine Air Ground Task Forces will help recover full-spectrum readiness.

The second priority is increasing capacity and lethality while preparing for future investment in the FY2019 budget, driven by results from the National Defense Strategy. The FY 2018 budget request addresses resource gaps in the capabilities, readiness, and capacity needed to project power globally in contested environments, while emphasizing preparedness for future high-end security challenges. The budget request supports this priority through investment in advanced capabilities to reassert our technological edge over potential future adversaries, while having more units ready to fight.

The FY 2018 budget request seeks to fill the holes and achieve program balance before beginning to significantly grow capacity in future years. Part of achieving a more capable force involves pursuing innovative ways to develop the force and concepts of operation to reverse unfavorable cost ratios adversaries would seek to impose on the United States in future warfighting environments. The FY 2018 investments include power projection capabilities, nuclear modernization, a stronger missile defense, space-based systems, and cyberspace operations. Several of these options will expand the competitive space to our advantage vice allowing an adversary to define a conflict. Our budget request also ensures that the nation's current nuclear deterrent will be sustained, and supports continuation of its much needed modernization process.

The third priority is reforming how the department does business. I am devoted to gaining full value from every taxpayer dollar spent on defense, thereby earning the trust of Congress and the American people.

The Department is committed to reforming the acquisition enterprise to improve its ability to be innovative, responsive, and cost effective. The Department has begun implementation of a range of reform initiatives directed by the 2017 NDAA, to include

disestablishment of the Under Secretary of Defense for Acquisition, Technology and Logistics, and the establishment of the Under Secretaries for Research and Engineering, and for Acquisition and Sustainment. Consistent with section 901 of the National Defense Authorization Act for Fiscal Year 2017, this change will be in effect by February 1, 2018, or sooner if I'm able to set the necessary conditions.

The FY 2018 budget request includes notable reform efforts. I urge Congress to support the Department's request for authority to conduct a 2021 Base Realignment and Closure (BRAC) round, a cornerstone of our efficiencies program. The Department currently has more infrastructure capacity than required for operations - and foreseeable growth scenarios won't appreciably change this. I recognize the severity of BRAC's impact on communities and the careful consideration that members must exercise in considering it. In order to ensure we do not waste taxpayer dollars I would therefore greatly appreciate Congress' willingness to discuss BRAC authorization as an efficiency measure. That authorization is essential to improving our readiness by minimizing wasted resources and accommodating force adjustments. Waste reduction is fundamental to keeping the trust of the American people and is a key element of the efficiency/reform efforts that Congress and the Administration expect of us. Of all the efficiency measures the Department has undertaken over the years, BRAC is one of the most successful and significant – we forecast that a properly focused base closure effort will generate \$2 billion or more annually – enough to buy 300 Apache attack helicopters, 120 F/A-18E/F Super Hornets, or four Virginia-class submarines.

During Fiscal Year 2018 the Department is on track to enter into a full, agency-wide financial statement audit as required by statute. As part of this effort, the Department has established a Cost Decision Framework that leverages commercial best practices. This initiative will give decision makers the information they need to make a fully informed, cost-based decision.

The fourth priority is keeping faith with Service members and families. Military and civilian personnel are the foundation of the Department of Defense. The Nation's commitment to these patriots willing to serve our country is built into the FY 2018

budget request and is demonstrated by the number of initiatives and programs to support their professional development and their personal and family lives.

Comprising roughly one-third of the Department of Defense budget, military pay and benefits are the single largest expense category for the Department. I believe providing competitive pay and benefits is a necessity to attract and retain the highly qualified people needed in today's military. The right people are the Department's most valuable asset, but we must continually balance these requirements against other investments critical to readiness, equipment, and modernization to ensure the military is the most capable warfighting force in the world. Balancing resources is particularly important as the Department reshapes the force needed to remain effective in an uncertain future. Investment in military compensation, Blended Retirement, the Military Health System, and family programs are essential to fielding the talent we need to sustain our competitive advantage on the battlefield.

The fifth priority is support for Overseas Contingency Operations. The FY 2018 President's Budget requests \$64.6 billion, focusing on Operations in Afghanistan, Iraq, and Syria, increasing efforts to sustain NATO's defenses to deter aggression, and global counterterrorism operations. Specifically, ISIS and other terrorist organizations represent a clear and present danger. The U.S. remains united and committed with the 66 nations of the Defeat-ISIS Coalition – plus the European Union, NATO, Arab League, and Interpol – to destroy ISIS. We will continue to support partner nations' diplomatic and military efforts through a security cooperation approach. I am encouraged by the willingness of our allies and partners to share the burden of this campaign.

The FY 2019 budget, informed by the National Defense Strategy, will grow the All-Volunteer Force. The Department will work with President Trump, Congress, and this committee to ensure the budget request we present for FY 2019-2023 is sustainable and that it provides the Commander-in-Chief with viable military options in support of America's security.

Judicious spending of America's public money is critical to ensuring security while maintaining solvency. We already know we face a dilemma between increasing personnel end strength and force structure on the one hand, and investing in equipment as well as research and development on the other hand. These challenges are compounded by the pressing need to recapitalize the nuclear triad and the sealift fleet in the 2020s. The President's Nuclear Posture Review will look at all elements of U.S. nuclear forces to ensure that our nuclear deterrent, including our command, control, and communication systems, are appropriately tailored to deter emerging 21st century threats.

I know we will have to make hard choices as we develop our new defense strategy and shape the FY 2019-2023 defense program. With the help of Congress, I am confident we can build a force that is necessarily more lethal without placing an undue burden on the American economy.

I am keenly aware members of this committee understand the responsibility each of us has to ensuring our military is ready to fight today and in the future. I need your help to inform your fellow members of Congress about the reality facing our military – and the need for Congress as a whole to pass a budget on time.

Thank you for your strong support and for ensuring our troops have the resources and equipment they need to fight and win on the battlefield. I pledge to collaborate closely with you for the defense of our Nation in our joint effort to keep our Armed Forces second-to-none.

Chairman Dunford is prepared to discuss the military dimensions of the budget request.

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SENATE APPROPRIATIONS COMMITTEE – DEFENSE

POSTURE STATEMENT OF

19TH CHAIRMAN OF THE JOINT CHIEFS OF STAFF

BEFORE THE 115TH CONGRESS

SENATE APPROPRIATIONS COMMITTEE

DEFENSE

BUDGET HEARING

JUNE 14, 2017

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Chairman Cochran, Ranking Member Durbin, distinguished members of this committee, thank you for the opportunity to join Secretary Mattis in appearing before you today.

The U.S. military's competitive advantage against potential adversaries is eroding. Over the last decade, sustained operational commitments, budgetary instability, and advances by our adversaries have threatened our ability to project power and we have lost our advantage in key warfighting areas. The FY18 Budget Request will allow the Armed Forces to meet operational requirements, continue rebuilding warfighting readiness, and place the military on a path to balancing the Defense program. However, without sustained, sufficient, and predictable funding, I assess that within 5 years we will lose our ability to project power; the basis of how we defend the homeland, advance U.S. interests, and meet our alliance commitments.

Strategic Environment

In today's strategic environment, five key challenges - Russia, China, Iran, North Korea, and Violent Extremist Organizations - most clearly represent the challenges facing the U.S. military. They serve as a benchmark for our global posture, the size of the force, capability development, and risk management.

Over the past several decades, each of these state actors have developed capabilities and operational approaches to counter our strategic and operational centers of gravity. The United States' decisive victory in DESERT STORM in 1991 was a wake-up call for our adversaries. For Russia and China, specifically, the lessons-learned spurred dramatic tactical, operational, and strategic adaptations. Observing the power and efficacy of precision guided munitions and combined arms maneuver, both countries accelerated modernization programs to asymmetrically counter U.S. advantages. They adapted operational constructs to incorporate anti-access technology and

employed new doctrines to leverage high-tech weaponry across all domains. These efforts sought to limit U.S. freedom of navigation, deny our ability to gain and maintain air-superiority, negate the capability of our precision munitions, and limit our ability to employ sophisticated command and control systems.

Today, Russia continues to invest in a full-range of capabilities designed to limit our ability to project power into Europe and meet our alliance commitments to NATO. These capabilities include long-range conventional strike, cyber, space, electronic warfare, ground force and naval capabilities. Russia is also modernizing all elements of its nuclear triad and its non-strategic nuclear weapons. These capabilities are intended to enable Russia to counter U.S. and NATO power projection and undermine the integrity of the NATO alliance.

Similarly, China has embarked on a significant program to modernize and expand strategic and conventional military capabilities. They have expanded their nuclear enterprise and made investments in power projection, space, cyber, hypersonic weapons, cruise missiles, and ballistic missiles – even as they continue to build out their physical presence in the South China Sea. China is also investing heavily in 5th generation fighters, air-to-air missiles, air defense systems, and sea and undersea anti-access technologies to limit our ability to project power, operate freely, and meet our alliance commitments in the Pacific.

Russia and China are not alone in these pursuits. North Korea's nuclear weapons development, combined with efforts to develop a nuclear-capable ballistic missile capability, is specifically intended to threaten the security of the homeland and our Allies in the Pacific. Over the past year, North Korea conducted an unprecedented number of missile tests. Moreover, North Korea has demonstrated a willingness to use malicious cyber tools against

governments and industry. These actions destabilize the region and pose an increasing threat to U.S. and our allies.

Iran seeks to assert itself as the dominant regional power in the Middle East. They continue to support international terrorist organizations like Hezbollah, and support proxies in Syria, Iraq, and Yemen to assert influence and counter the influence of the U.S. and our Allies. They actively seek to destabilize their neighbors, and employ naval capabilities that threaten freedom of navigation. At the same time, they are modernizing an array of ballistic missiles, missile defense, space, cyber, maritime, and cruise missile capabilities.

Finally, Violent Extremist Organizations such as ISIS and al Qaida remain a threat to the homeland, our Allies, and our way of life. Violent extremism is fundamentally a transregional threat and a generational struggle that requires our military to work with interagency and coalition partners to disrupt external attacks, and dismantle their capabilities wherever they emerge. Even with the success of our continued efforts to defeat the Islamic State in Iraq and Syria, the threat of Islamic terrorism will remain.

A review of these five challenges demonstrates that the U.S. military requires a balanced inventory of advanced capabilities and sufficient capacity to act decisively across the range of military operations. As a nation that both thinks and acts globally, we cannot choose between a force that can address ISIS and other Violent Extremist Organizations, and one that can deter and defeat state actors with a full range of capabilities. Nor do we have the luxury of choosing between meeting our current operational requirements and developing capabilities that we will need to meet tomorrow's challenges.

However, as a result of sustained operational tempo and budget instability, today the military is challenged to meet operational requirements and sustain

investment in capabilities required to preserve – or in some cases restore - our competitive advantage.

Sustained operational tempo and demand have forced the Department to prioritize near-term readiness at the expense of modernization. Additionally, a conscious choice was made to limit the size of the force in order to preserve scarce resources necessary for essential investments in immediate upgrades to critical capabilities. As a result, today, demand for high-demand/low-density specialties often outpaces supply. Particular stress is felt in specialties such as ISR, missile defense systems, naval expeditionary forces, special operations forces, global precision strike units, and cyber forces. Additionally, over the past two years, munitions expenditures in ongoing operations against Violent Extremist Organizations exacerbated existing shortfalls.

Making matters worse, for the past five years, the Budget Control Act (BCA) has forced the Department of Defense (DoD) to operate with about \$450 billion less than planned and required. These reductions have been aggravated by repeated Continuing Resolutions (CR) which hamper long-term investment and often result in increased costs. For nine of the last ten years, the Department of Defense has operated under some type of CR, delaying critical new starts, deferring installation and infrastructure modernization, and canceling major training events. A year-long FY18 CR would cut \$33 billion from the Department's request, further exacerbating these problems.

Based on these factors, the Army has been forced to prioritize near-term readiness and now faces a shortage of critical capabilities and capacities in armor, air defense, artillery, and aviation. These deficiencies are made worse by manpower shortfalls in critical military specialties and training resource constraints. Consequently, the Army is limited in its ability to man, train, and equip fully-ready Brigade Combat Teams (BCT) and other critical enablers

required to deploy, sustain, and protect service members operating around the world.

For similar reasons, the Navy faces readiness challenges in both ships and aircraft. Operational requirements and capacity constraints in shipyards and aircraft depots have increased the time and cost required to conduct major repairs. Maintenance delays, low stocks of spare parts, lack of training ordnance, and aging infrastructure impair the Navy's ability to conduct integrated training. As a result, the Navy is limited in its ability to meet operational demand for maritime capability and power projection, especially in contested environments.

The Air Force is also challenged to balance operational demands and invest for the future. Today, the Air Force is short almost 1,500 pilots, including 800 fighter pilots, and more than 3,400 maintainers across all components. They lack sufficient resources to adequately support both 4th and 5th generation training. And they have delayed investment in 4th generation aircraft modifications while limiting the fielding of 5th generation strike-fighters. The result is fewer trained pilots available to deploy, over-tasked and aging aircraft, and delays in modernization programs required to defeat near-peer adversaries.

Over the last several years, the Marine Corps has been forced to delay planned investments in infrastructure, Command and Control, and ground systems required to build, train, and launch combat ready forces. Today, the Marine Corps lacks sufficient Ready Basic Aircraft for training and deployments and has delayed procurement of the F-35, CH-53K, MV-22, and KC-130J aircraft. These delayed investments limit the Marine Corps' strategic flexibility and inhibit its ability to meet operational demands.

If these trends continue, and the constraints of sequestration are not lifted, the Department will have to cut force structure, as the tradeoffs required to

maintain the capability and capacity of the current force are no longer sustainable. Going forward, the Department of Defense requires sustained, sufficient, and predictable funding to meet current operational requirements, restore readiness shortfalls, and place us on a path toward restoring our eroded competitive advantage.

Impact of FY17 Request for Additional Appropriations (RAA).

Congress' willingness to support the Administration's request for additional resources in FY 2017 was a necessary first step to reverse the impacts of under-investment over the last five years. The FY17 appropriation yielded improvements in immediate warfighting readiness by providing funding for modest increases to end strength that primarily filled holes in existing units, funding full spectrum training, beginning to replenish depleted ammunition stocks, and continuing the restoration and modernization of critical systems.

However, the FY17 Appropriations Bill did not fully address the Department's modernization and procurement requirements and significant, long-term readiness challenges remain. The Services' inability to fully fund procurement of key platforms continues to hamper readiness by limiting the number and types of platforms available for initial entry training, individual proficiency, and collective training. Because of this, the military begins the FY18 budget cycle in a less healthy position than if the FY17 RAA was fully funded, making full and on-time funding of this budget even more critical.

Intent of the FY18 Budget: What does it do?

The FY18 Budget Request builds on the readiness recovery started in FY17, starts to fill the holes created by the BCA, and begins to balance the program. It enables the Department to meet operational requirements, begin rebuilding mid- and long-term readiness, and begin restoring capability and capacity

necessary to improve lethality. These are essential first steps in arresting the erosion of the military's competitive advantage.

In Afghanistan, FY18 investments will reinforce improvements in the Afghan National Defense and Security Forces. In Iraq and Syria, the Budget Request funds emerging requirements and provides sufficient funding and authority for the defeat-ISIS train and equip fund. In Europe, the Budget Request provides a 40 percent increase in funding for the European Reassurance Initiative (ERI) that sustains ongoing assurance efforts, and improve the capability of the U.S. forces and our Allies to deter potential Russian aggression.

To rebuild warfighting readiness, the Army will fully man its combat formation, fund 19 Combat Training Center rotations in FY18, and increase resources for home-station training to ensure units maximize full spectrum readiness. The Navy will provide flying hours and increase depot maintenance to enable integrated air/sea training. The Air Force will invest in training required to improve 4th and 5th generation warfighting capability. The Marines will increase funding for flying hours, logistics, and engineering units, and focus training resources on amphibious and combined arms operations.

Maintenance resources included in the FY18 Budget Request also improve readiness. The Army will prioritize maintenance for equipment coming out of theater in order to prepare it for unit training and refill prepositioned stocks in Europe and the Pacific. The Navy will add critical workforce capacity that reduces ship and aviation depot maintenance backlogs. The Air Force will conduct overdue weapons system sustainment, increase maintenance for inter-theater airlift, and execute recapitalization of critical systems. The Marines will prioritize maintenance for MV-22, rotary wing, and fighter aviation to improve its survivability, mobility, and lethality.

To begin restoring capacity and lethality across the force, the FY18 Budget makes critical investments in Tactical Air (TACAIR), ships, space, and cyberspace, and begins essential nuclear recapitalization efforts.

Investments in TACAIR enable the Air Force, Navy, and Marine Corps to continue procurement of 5th generation fighters and fund upgrades to 4th generation fighters that fill shortfalls and begin to grow capacity. The Air Force will procure 46 F-35As and begin upgrades to F-16s. The Navy will procure 4 F-35Cs and 14 F/A-18E/Fs to mitigate its strike fighter shortfall. The Marines will procure 20 F-35Bs. These investments, coupled with investments in modernization of depot maintenance facilities, allow us to begin reversing the impact of delays in TACAIR modernization over the past five years.

The FY18 Budget Request supports the Navy's growth by supporting the procurement of 9 ships and continuing necessary investments to upgrade and modernize nuclear aircraft carriers, destroyers, littoral combat ships, TICONDEROGA-class cruisers, amphibious assault ships, and submarines. These investments are essential to enabling the Navy to project power, ensure forward presence and deterrence, ensure access to the global commons, and provide ballistic missile defense.

Continued improvement in space-based systems enables us to better protect satellites, improve tracking/discrimination capabilities, and continue domestic launch development. Cyberspace investments prioritize hardening information networks, defending against cyber-attacks, and continuing to build, train, and equip cyber mission forces and maturing cyberspace command and control. These advances improve both offensive and defense space and cyberspace capabilities and enhance the resiliency of our systems and networks.

The FY 18 Budget Request also invests in upgrades to the nuclear enterprise, including inter-continental ballistic missiles, nuclear submarines, strategic

bombers, and command and control systems. Continuing to maintain a secure and effective nuclear deterrent is essential to defending the homeland.

However, the FY18 Budget Request alone will not fully restore readiness or arrest the military's eroding competitive advantage. Reversing the impact of the past five years of sustained operational tempo and budget instability requires sustained investment beyond FY18.

What FY18 Budget Request doesn't do: Areas for continued investment.

Specific recommendations for FY19, and beyond, will be informed by the results of the National Defense Strategy. Today, however, we know that continued investment is needed to execute responsible growth in capacity, build advanced capabilities, and restore the long-term readiness. These investments are essential to ensuring our ability to project power and maintain a credible strategic deterrent.

We continue to consume readiness as fast as we build it and lack sufficient capacity to both meet today's operational requirements and rebuild the competencies necessary to defeat near peer adversaries. As a result, our units are training to meet their assigned missions at the expense of training for their designed mission. To break this cycle, we must increase capacity in critical areas such as C4ISR, fighter aircraft, armored BCTs, amphibious ships, and special operations forces. This additional capacity will allow us to meet today's requirements and prepare for tomorrow's.

We must also invest in advanced capabilities required to defeat near-peer adversaries. As we have prioritized readiness for ongoing operations, our adversaries have prioritized investment in technologies that exploit our vulnerabilities and limit our ability to project power. To ensure our competitive advantage, we must accelerate investments in systems that defeat adversary anti-access capabilities at sea and under the sea, improve our ISR resiliency,

guarantee access to space and cyber, and enable us to defeat integrated air defenses. These advanced capabilities are vital to maintaining the U.S. military's competitive advantage in all environments and across all domains. It is also essential that we restore Comprehensive Joint Readiness, the ability of the U.S. military to deploy, employ, and sustain itself anywhere in the world, while maintaining the flexibility to transition from one crisis to another, across the range of military options. This requires sufficient capacity, the necessary capabilities, and iterative training. Our Air Force must possess the right mix of 4th and 5th generation aircraft and have sufficient capacity to conduct integrated training. Our Navy must grow and modernize while preserving a globally-present fleet, capable of sailing and operating anywhere in the world. The Army and Marine Corps must fill unit short-falls and upgrade ground tactical vehicles while expanding full spectrum training. These investments are essential to projecting power in contested environments against any adversary and operating across the spectrum of conflict.

Additionally, we must invest in maintaining a credible strategic deterrent. Due to fiscal constraints, we have delayed modernization of all three legs of the nuclear triad and are now approaching decision points with no remaining schedule margins. Over the coming decades we must recapitalize our inter-continental ballistic missiles, ballistic missile submarines, strategic bombers, and many of our command, control, and communication systems. Recapitalization costs will be significant and can no longer be delayed if the United States wants to maintain a safe, secure, and effective nuclear deterrent.

Conclusion

Today, despite the challenges facing us, our military is the most capable military in the world. We need sustained, sufficient, and predictable funding to grow sufficient capacity, develop the correct mix of advanced capabilities, and ensure a ready force. These investments are necessary to ensure our ability to

defend the homeland and project power when and where required. With your help and commitment, we can preserve our competitive advantage and ensure that we never send America's sons and daughters in to a fair fight.