HEARING TO RECEIVE TESTIMONY ON THE DEPARTMENT OF DEFENSE
BUDGET POSTURE IN REVIEW OF THE DEFENSE AUTHORIZATION
REQUEST FOR FISCAL YEAR 2017 AND THE FUTURE YEARS DEFENSE
PROGRAM

Thursday, March 17, 2016

U.S. Senate
Committee on Armed Services
Washington, D.C.

The committee met, pursuant to notice, at 9:40 a.m. in
Room SD-G50, Dirksen Senate Office Building, Hon. John
McCain, chairman of the committee, presiding.

Committee Members Present: Senators McCain
[presiding], Inhofe, Sessions, Wicker, Ayotte, Fischer,
Cotton, Rounds, Ernst, Tillis, Sullivan, Lee, Graham, Reed,
Nelson, Manchin, Shaheen, Gillibrand, Blumenthal, Donnelly,
Hirono, Kaine, King, and Heinrich.
OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR FROM ARIZONA

Chairman McCain: Good morning. Good morning, all.

The Senate Armed Services Committee meets this morning to receive testimony on the Department of Defense's Fiscal Year 2017 Budget Request, the associated Future Years Defense Program, and the posture of U.S. Armed Forces.

We welcome our witnesses. We thank each of you for your service to our Nation and to the soldiers, sailors, airmen, and marines serving here at home and around the world.

Before I proceed with my statement, let me just say that, yesterday, disturbing statement made a senior executive of the United Launch Alliance were reported in the media. These statements raise troubling questions about the nature of the relationship between the Department of Defense and ULA. This committee treats with the utmost seriousness any implication that the Department showed favoritism to a major defense contractor or that efforts have been made to silence Members of Congress.

Mr. Secretary, I expect that you will make a full investigation into these statements and take action, wherever appropriate.

Last month, the Director of National Intelligence provided this committee a candid and unsettling picture of
our worldwide threats. Just consider what has occurred over
the past 5 years. While al-Qaeda remains a real and potent
threat, the vanguard of global terrorism is increasingly led
by ISIL, which has metastasized across the Middle East,
Africa, and South Asia, and which has already launched
attacks into the heart of Europe and inspired an attack here
in the United States. Russia has invaded Ukraine, annexed
Crimea, menaced our NATO allies, intervened militarily in
Syria, and is now regarded by Chairman Dunford, and many of
our military leaders say, as our Nation's greatest threat.
China has continued its rapid military modernization,
steadily militarized the South China Sea, and used coercion
and the threat of force to bully our Asian allies and
partners. North Korea has launched brazen cyberattacks
against the United States, continued to advance and test its
nuclear weapons program, and conducted provocative missile
tests, including a potential ICBM capability. Rather than
moderating its malign activities in the Middle East, as
advocates of the nuclear agreement predicted, Iran has
instead increased its support for its terrorist proxies from
Syria to Yemen, conducted advanced missile tests, in
violation of U.N. Security Council resolutions, and fired
rockets near a U.S. aircraft carrier. More recently, Iran
seized two U.S. Navy vessels, detained 10 U.S. sailors, and
propagandized the entire incident, in total violation of
international law and centuries of maritime tradition.

These are the growing threats we face in the world. And yet, the Department of Defense remains guided by a strategy that predates all of these developments. It is based on assumptions about the world that no longer apply. What's worse, the same is true about our Nation's defense spending. While the requirements for our military have grown, the Budget Control Act arbitrarily capped defense spending back in 2011. Despite periodic relief from these caps, each of our military services remain undersized, unready, and underfunded to meet the current and future threats.

This translates into real things that our military, as remarkable and determined as it is, simply cannot do for our Nation. Our aircraft carriers no longer provide constant presence in the Middle East or the western Pacific. Just one-third of Army brigade combat teams are ready to deploy and operate decisively. The Air Force is the smallest it's ever been, and more than half of its squadrons are not combat mission-ready. Marine Corps aviation is in crisis, and the Assistant Commandant testified this week that his forces cannot execute our Nation's defense strategy.

The effects on the present force are bad enough. The effects on the future force are worse. Years and years of deferred maintenance and delayed modernization are creating
a mountain of bills that will soon come due. From 2018 to 2021 alone, the Department of Defense needs $100 billion above the BCA caps just to meet current requirements. In reality, those requirements are inadequate, additional resources will be needed, and the longer we try to delay that bill, the bigger and worse it gets, and the more we run the risk of a return to sequestration.

This is a crisis of our own making. And I'm speaking of the Congress, as well. And it is why many of us are so concerned about the President's budget request for fiscal year 2017. There's a lot to like about this request. Many of the investments, especially related to the so-called "third offset strategy" are critical and long overdue. That said, though our Nation is asking our military to do more over the next fiscal year, the President's defense budget request, in real dollars, is actually less than it is this year. As a result, the Department was forced to cut $17 billion it said it needed last year, purely for budget reasons. To be sure, the temporary effects of more positive economic assumptions and lower fuel prices soften the blow. Nevertheless, the Department cut over $10 billion in real military capability to mitigate this shortfall.

Nothing in the Bipartisan Budget Act prevented the President from requesting more than he did. He did not have to fund our growing operational requirements by cutting
modernization and procurement. He chose to do so. And these are just some of the consequences. The Army had to cut 24 UH-60 Black Hawk helicopters. The Air Force had to cut five F-35As this year and 45 over the next 4 years. The Navy plans to lay up an additional five Ticonderoga-class cruisers. The Marine Corps cut 77 joint light tactical vehicles, $1.3 billion in military construction, and family housing has been cut. And certain critical nuclear modernization efforts, including an ICBM replacement and the B61 nuclear bomb tail kit, have been further delayed.

The unfunded requirements of the military services now total nearly $18 billion. That represents the additional ships, airplanes, helicopters, fighting vehicles, training, and other programs that our military leaders say they need simply to carry out our increasingly antiquated defense strategy and an acceptable level of risk. Last year, the former Chairman of the Joint Chiefs, General Dempsey, described the Future Years Defense Plan as, quote, "the lower ragged edge of manageable risk in our ability to execute the defense strategy." And now, here were are, 1 year later and $17 billion less than what our military needed and planned for. I do not know what lies beneath the, quote, "lower ragged edge of manageable risk," but this is what I fear it means, that our military is becoming less and less able to deter conflict, and if, God forbid,
deterrence does fail somewhere and we end up in conflict, our Nation will deploy young Americans into battle without sufficient training or equipment to fight a war that will take longer, be larger, cost more, and ultimately claim more American lives than it otherwise would have.

This is the growing risk we face, and we can't change course soon enough. We should not threaten the stability provided by the budget -- Bipartisan Budget Act. We should build on it. Therefore, we make a virtue out of stability. Let's recall, this budget agreement ends this year, and defense spending over the next 4 years is capped by a law at $100 billion less -- less than what our witnesses will testify our military needs. That kind of stability is not the answer, it is the problem. And if we cut into our military muscle again this year, our looming budget problems just get worse.

Finally, another priority of this committee will remain the defense reform effort that we began last year, including a review of the Goldwater-Nichols legislation that is now making -- marking its 30th anniversary. Over the past year, Senator Reed and his staff and I and my staff, we have held hearings and conducted interviews with dozens of former and currently serving military and civilian defense leaders, including discussions with our distinguished witness today.

The result is that I believe we have a rather clear
definition of the challenge that we all must address. The focus of Goldwater-Nichols was operational effectiveness, improving our military's ability to fight as a joint force. The challenge today is strategic integration. By that I mean improving the ability of the Department of Defense to develop strategies and integrate military power globally to confront a series of threats, both states and nonstate actors, all of which span multiple regions of the world and numerous military functions. Put simply, our competitors are catching up, and our defense organization must be far more agile and innovative than it is.

As the committee considers what steps may be necessary to improve our defense organization, we are committed to work closely with both of you, and we would welcome any thoughts and recommendations you are prepared to share today.

Senator Reed.
STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE ISLAND

Senator Reed: Well, thank you very much, Mr. Chairman. Let me join you in welcoming our witnesses and thanking them for their service.

The President's FY 2017 budget submission for Department of Defense includes nearly $583 billion in discretionary spending and complies with the funding levels included in the Bipartisan Budget Act of 2015. Of this amount, 523.9 billion is included in the base budget, and $58.8 billion is designated for the overseas contingency operations account.

As the committee considers the Department's funding request, we must always be mindful of the risks facing our country and our national security challenges. Russia's increasingly aggressive posture in eastern Europe and the Middle East must be monitored, contained, and, when necessary, countered. China continues to invest aggressively in its military, particularly in capabilities that allow them to project power and deny access to others. North Korea recently conducted a rocket launch, in violation of multiple United Nations Security Council resolutions, and continues to be an immediate and present danger to global security. Finally, Iran is a significant concern to the committee, particularly its recent missile tests and ongoing
support to nonstate actors across the Middle East. Our Nation's counterterrorism fight continues to be a top priority. It has been a year of significantly -- security and political transition in Afghanistan, and we must continue to evaluate how we can best enable efforts by the Government of Afghanistan to protect and govern its people. In Iraq, ISIL has how lost significant territory, but difficult tasks remain, including evicting ISIL from population centers. Furthermore, the dangers posed by the disrepair of the Mosul dam must be addressed. In Syria, ISIL maintains control of many areas while the world evaluates what Russia's recent announcement of a withdrawal means for negotiations. As ISIL loses ground in some areas, it gains footholds in new nations, like Libya.

In light of these ongoing national security challenges we face around the world, we must closely scrutinize the budget request to ensure critical priorities have sufficient funding, scarce resources are not devoted to underperforming programs, and, where possible, allocate money to those areas that need additional funds.

With regard to our military forces, after nearly a decade and a half of continuous military operations, we must take a hard look at the readiness levels across all the services. In fact, this committee has repeatedly heard testimony from senior military leaders that rebuilding
readiness levels is their highest priority.

The FY17 budget request makes needed investments in readiness accounts that will help the military services, but it will take time to rebuild readiness. That is why it is vitally important that readiness accounts be protected from cuts. I would welcome any comments from our witnesses on the importance of rebuilding readiness and if they believe the services are on track to meet their full-spectrum readiness goals.

Another challenge is the modernization of military platforms and equipment. While the readiness of our troops is paramount, we cannot neglect investments in modernization. Building and maintaining readiness levels requires that our forces have access to equipment that is properly sustained and upgraded. However, in order to meet the top-line funding levels set by the 2015 BBA, the Department's budget request modified base budget funding for some procurement and modernization efforts. While difficult choices must be made, we must ensure that this budget does not jeopardize shipbuilding and aviation procurement accounts, as well as targeted investments in research and development and that foster new technology. I would like to know if our witnesses feel confident that the reductions in the procurement accounts will not adversely impact these programs by adding substantial cost to the overall program.
or extensively delaying the fielding of any platform.

The well-being and quality of life of our men and women in uniform, and that of the civilian workforce, remain a priority concern. We are mindful that we must support and maintain a high quality of life, but also a high quality of service. The administration's request includes a 1.6-percent pay raise for both the military and civilian employees, and a robust array of benefits. These funds are critical to ensuring that military and civilian pay remains competitive in order to attract and retain the very best for military and government service.

The committee also understands, however, that military and civilian personnel costs comprise nearly one-half of the Department's budget, and we are committed to implementing reforms that will slow that growth.

Finally, we need to address the long-term budget situation that we find ourselves in. Last year, the Senate had a healthy debate on how to manage the needs in light of the Budget Control Act. At the time, I argued that meeting our national security challenges required relief for the Department of Defense as well as other agencies that contribute to the defense and prosperity of the homeland. It is a daunting task to decide how to allocate finite resources for a myriad of priorities, and I recognize the Department had to make hard choices in order to comply with
the 2015 budget agreement. I believe the Senate, in a bipartisan fashion, should repeal the BCA and establish a more reasonable limit on discretionary spending in an equitable manner that meets all of our needs as a Nation.

I look forward to this morning's testimony.

Thank you again, Mr. Chairman.

Chairman McCain: Welcome, Mr. Secretary. And we look forward to hearing from you and General Dunford. Thank you for appearing.
Secretary Carter: Thank you, Chairman. Thanks for the opportunity. Chairman, Secretary -- excuse me -- Senator Reed, all the members of the committee, thank you so much for the opportunity to be here, for me, the Chairman, and for our Under Secretary, and, above all, for your steadfast support to our DOD men and women all over the world, military and civilian alike, who serve and defense us. I'm very pleased to be here.

I'm pleased to be here with Chairman Dunford. And we will be discussing the President's 2017 defense budget and other matters, the -- a budget which marks a major inflection point for the Department of Defense.

In this budget, we're taking the long view. We have to, because, even as we fight today's fights, we must also be prepared for what might come 10 and 20 and 30 years down the road.

Last fall's Bipartisan Budget Act gave us some much needed stability after years of gridlock and turbulence. And I want to thank you and your colleagues for coming together to help pass it. That budget set the size of our budget, and, with this degree of certainty, we focused on
its shape, changing that shape in fundamental but carefully
considered ways to adjust to a new strategic era and to
seize opportunities for the future.

Let me describe the strategic assessment that drove our
budget decisions. First of all, it's evident that America
is still today the world's foremost leader, partner, and
underwriter of stability and security in every region of the
world, as we've been since the end of World War II. That's
thanks, in large part, to the unequivocal strength of the
United States military. And as we continue to fulfill this
enduring role, it's also evident that we're entering a new
strategic era, as has been noted. Today's security
environment is dramatically different from the last 25
years, requiring new ways of investing and operating. Five
evolving strategic challenges -- namely Russia, China,
North Korea, Iran, and terrorism -- are now driving DOD's
planning and budgeting, as reflected in this budget.

I want to focus first on our ongoing fight against
terrorism, and especially ISIL, which we must and will deal
a lasting defeat, most immediately in its parent tumor in
Iraq and Syria, but also where it's metastasizing. We're
doing that in Africa and elsewhere, and also in Afghanistan,
where we continue to stand with the Afghan government and
people. And all the while, we're continuing to help to
protect our homeland. And as we're accelerating our overall
counter-ISIL campaign, we're backing it up with increased funding this year. We're requesting 50 percent more than last year.

We've gained momentum against ISIL since the Chairman and I last appeared before you. Notably, the Iraqis took -- retook Ramadi and are now reclaiming further ground in Anbar Province. And in Syria, capable and motivated local forces, supported by the United States and our global coalition, have retaken the east Syrian town of Shaddadi, severing the last major northern artery between Raqqa and Mosul, and therefore between ISIL in Syria and ISIL in Iraq.

Meanwhile, 90 percent of our military coalition partners have committed to increase their contributions to help defeat ISIL. We have increased strikes on ISIL-held cash depots and oil revenues. We've conducted targeted strikes against ISIL in Libya. And we've also recently killed ISIL's Minister of War, the Chechen fighter Omar al-Shishani.

Now, before I continue, I want to say a few words about Russia's role. Russia said it was coming into Syria to fight ISIL. But, that's not what it did. Instead, their military has only prolonged the civil war, propped up Assad; and, as of now, we haven't seen whether Russia retained the leverage to find a diplomatic way forward, which is what the Syrian people need. One thing is clear, though: Russia's
entry into Syria didn't impact our campaign against ISIL. Along with our coalition partners, we're intensifying our campaign against ISIL in both Iraq and Syria, and we'll continue to do so until ISIL is dealt a lasting defeat.

Two of the other four challenges reflect a return, in some ways, to great-power competition. One is in Europe, where we're taking a strong and balanced approach to deter Russian aggression. We haven't had to devote a significant portion of our defense investment to this possibility for a quarter century, but now we do.

The other challenge is in the Asia-Pacific, where China is rising, which is fine, but behaving aggressively, which is not. There, we're continuing our rebalance to the region to maintain the stability we've underwritten for the past 70 years, allowing so many nations to rise and prosper in this, the single most consequential region for America's future.

Meanwhile, two other longstanding challenges pose threats in specific regions. North Korea is one. That's why our forces on the Korean Peninsula remain ready, as they say, to "fight tonight." The other is Iran, because, while the nuclear accord is a good deal for preventing Iran from getting a nuclear weapon, in other respects our concerns with Iran persist.

And, while I'm on the subject of Iran, and given this committee's particular interest in this matter, I want to
say a few words about Iran's treatment of our sailors on Farsi Island, back in January. As I made clear then, Iran's actions were outrageous, unprofessional, and inconsistent with international law. And nothing we've learned about the circumstances of this incident since then changes that fact. And it's because of Iran's recklessness and destabilizing behavior in that part of the world, the DOD remains full speed ahead in our investments, our planning, and our posture to ensure we deter Iran's aggression, counter its malign influence, and uphold our ironclad commitments to our regional friends and allies, especially Israel, to whom we maintain an unwavering and unbreakable commitment.

Now, addressing all of these five challenges requires new investments on our part, new posture in some regions, and also new and enhanced capabilities. For example, we know we must deal with all these five challenges across all domains, not just the usual air, land, and sea, but also especially in cyber, electronic warfare, and space, where reliance on technology has given us great strength and great opportunities, but also led to vulnerabilities that adversaries are eager to exploit.

Key to our approach is being able to deter our most advanced competitors. We must have, and be seen to have, the ability to ensure that anyone who starts a conflict with us will regret doing so. In our budget, our capabilities,
our readiness, and our actions, we must, and we will, be
prepared for a high-end enemy, what we call "full-spectrum."
In this context, Russia and China are our most stressing
competitors, as they've both developed and continue to
advance military systems that seek to threaten our
advantages in specific areas. We see it in the South China
Sea and in Crimea and Syria, as well. In some cases,
they're developing weapons and ways of war that seek to
achieve their objectives rapidly, before they think we can
respond. Because of this, DOD has elevated their importance
in our planning and budgeting.

In my written testimony, I've detailed how our budget
makes critical investments to help us address better these
evil evolving challenges. We're strengthening our
deterrence posture in Europe by investing $3.4 billion for
our European Reassurance Initiative, quadruple what we
invest -- what we requested last year. We're prioritizing
training and readiness of our ground forces, as has been
noted, and reinvigorating the readiness and modernization of
our fighter aircraft fleet. We're investing in innovative
capabilities, like the B-1 -- B-21 long-range strike bomber,
microdrones, the arsenal plane, as well as advanced
munitions of all sorts. In our Navy, we're emphasizing not
just increasing the number of ships, which we're doing, but
especially their lethality, with new weapons and high-end
ships, and extending our commanding lead in undersea warfare with new investments in unmanned undersea vehicles, for example, and more submarines, with the versatile Virginia payload module that triples their strike capacity from 12 Tomahawks to 40. And we're doing more in cyber, electronic warfare, and space, investing in these three domains a combined total of $34 billion in 2017, to, among other things, help build our cyber mission force, develop next-generation electronic jammers, and prepare for the possibility of a conflict that extends into space. In short, DOD will keep ensuring our dominance in all domains.

As we do this, our budget also seizes opportunities for the future. That's a responsibility I have to all my successors, to ensure the military and the Defense Department they inherit is just as strong, if not stronger, than the one I have the privilege of leading today. That's why we're making increased investments in science and technology, innovating operationally, and building new bridges to the amazing American innovative system, as we always have, to stay ahead of future threats. That's why we're building what I've called the "force of the future," because, as good as our technology is, it's nothing compared to our people. And, in the future, we need to continue to recruit and retain the very best talent. Competing for good people for an All-Volunteer Force is a critical part of our
military edge. And everyone should understand this need, my
commitment to it.

And, because we owe it to America's taxpayers to spend
our defense dollars as wisely and responsibly as possible,
we're also pushing for needed reforms across the DOD
enterprise, from continuously improving acquisitions to
further reducing overhead to proposing new changes to the
Goldwater-Nichols act that defines much of our institutional
organization. I know Goldwater-Nichols reform is a focus of
this committee. And, Chairman, I appreciate that.

Goldwater-Nichols was important, had deeply positive
results, but, after 30 years, as you've said, it needs
updates. There are some areas where the pendulum may have
swung too far, like not involving the service chiefs enough
in acquisition decisionmaking and accountability. And there
are areas, as you've noted, where subsequent world events
suggest nudging the pendulum further, like taking more steps
to strengthen the capability of the Chairman and the Joint
Chiefs of Staff to help address transregional threats,
threats in multiple domains, and multiple threats within
overlapping timeframes.

As you know, last fall we began a comprehensive
departmentwide review of organizational issues like these to
identify any potential redundancies, inefficiencies, or
other areas of improvement, to help formulate -- and to help
formulate DOD's recommendations to you. I expect its internal findings by the end of March.

This work is important. Though much is within our existing authority to do so, we look forward to working closely with Congress to implement needed reforms. And, as we discussed over breakfast last week, Chairman and Senator Reed, I look forward to working with you personally on this important matter.

Let me close on the broader shift reflected in this budget. The Defense Department doesn't have, as I've said, the luxury of just one opponent or the choice between current fights and future fights. We have to do both. That's what this budget is designed to do, and we need your help to succeed. I thank this committee, again, for supporting the Bipartisan Budget Act that set the size of our budget. Our submission focuses on the budget's shape, making changes that are necessary and consequential. We hope you approve it. I know some may be looking at the difference between what we proposed last year and what the budget deal gave us. A net total of about $11 billion less is provided by the Bipartisan Budget Act, out of a total of almost $600 billion. But, I want to reiterate that we've mitigated that difference, and we're prepared to explain how, and that this budget meets our needs.

The budget deal was a good deal. It gave us stability.
We're grateful for that. DOD's greatest risk is losing that stability this year and having uncertainty and sequester return in future years. That's why, going forward, the biggest budget priority for us, strategically, is Congress averting the return of sequestration, to prevent $100 billion in automatic cuts that are looming, so we can maintain stability and sustain all these critical investments over time. We've done this before. And that same support is essential today to address the security challenges we face and to seize the opportunities within our grasp. As long as we work together to do so, I know our national security will be on the right path, and America's military will continue to defend our country and help make a better world for generations to come.

Thank you.

[The prepared statement of Secretary Carter follows:]
Chairman McCain: Thank you.

General Dunford.
STATEMENT OF GENERAL JOSEPH F. DUNFORD, JR., USMC,
CHAIRMAN OF THE JOINT CHIEFS OF STAFF

General Dunford: Chairman McCain, Ranking Member Reed,
distinguished members of the committee, thank you for the
opportunity to join Secretary Carter and Secretary McCord in
appearing before you.

I'm honored to represent the extraordinary men and
women of the joint force. Our soldiers, sailors, airmen,
and marines, civil servants, remain our single most
important competitive advantage. And, thanks to your
support, the United States military is the most capable
fighting force in the world.

With your continued support, the joint force will
continue to adapt, fight, and win in current operations
while simultaneously innovating and investing to meet future
challenges. I don't believe we ever should send Americans
into a fair fight. Rather, we should maintain a joint force
that has the capability and credibility to assure our allies
and partners, deter aggression, and overmatch any potential
adversary. This requires us to continually improve our
joint warfighting capabilities, restore full-spectrum
readiness, and develop the leaders who will serve as the
foundation for the future.

The United States is now confronted with challenges
from both traditional state actors and nonstate actors. The
Department has identified five strategic challenges, and Secretary Carter has already addressed those. Russia, China, Iran, and North Korea continue to invest in military capabilities that reduce our competitive advantage. They are also advancing their interests through competition with a military dimension that falls short of traditional armed conflict and the threshold for traditional military response. And examples include Russian actions in Ukraine, Chinese activities in the South China Sea, and Iran's malign activities across the Middle East. At the same time, nonstate actors, such as ISIL and al-Qaeda, pose a threat to the homeland, the American people, our partners, and our allies. Given the opportunity, such extremist groups would fundamentally change our way of life.

As we contend with the Department's five strategic challenges, we recognize that successful execution of our defense strategy requires that we maintain credible nuclear and conventional capabilities. Our strategic nuclear deterrent remains effective, but it's aging, and it requires modernization. Therefore, we're prioritizing investments needed for a safe, secure, and effective nuclear deterrent. We're also making investments to maintain a competitive advantage in our conventional capabilities, and we must further develop capabilities in the vital and increasingly contested domains of cyber and space.
As the joint force acts to mitigate and respond to challenges, we do so in the context of a fiscal environment that has hampered our ability to plan and allocate resources most effectively. Despite partial relief by Congress from sequester-level funding, the Department has absorbed 800 billion in cuts and faces an additional 100 billion of sequestration-induced risk through fiscal year '21. Absorbing significant cuts over the past 5 years has resulted in our underinvesting in critical capabilities. And unless we reverse sequestration, we'll be unable to execute the current defense strategy, and specifically unable to address the challenges that Secretary Carter outlined.

The fiscal year '17 budget begins to address the most critical investments required to maintain our competitive advantage. To the extent possible within the resources provided by the 2015 Bipartisan Budget Act, it addresses the Department's five challenges. It does so by balancing three major areas: investment in high-end capabilities, the capability and capacity to meet current operational demands, and the need to rebuild readiness after an extended period of war. In the years ahead, we'll need adequate funding levels and predictability to fully recover from over a decade at war and delayed modernization. A bow wave of procurement requirements in the future include the Ohio-
class submarine replacement, continued cyber and space investments, and the long-range strike bomber. It will also be several years before we fully restore full-spectrum readiness across the services and replenish our stocks of critical precision munitions.

In summary, I'm satisfied the FY17 budget puts us on the right trajectory, but it will take your continued support to ensure the joint force has the depth, flexibility, readiness, and responsiveness that ensures our men and women never face a fair fight.

Once again, thank you for the opportunity to appear before you this morning. And I look forward to your questions.

[The prepared statement of General Dunford follows:]
Chairman McCain: Secretary McCord, do you have any statement?

Mr. McCord: I do not, Mr. Chairman.

Chairman McCain: Well, thank you. I thank the witnesses.

Mr. Secretary, I appreciate your comments about the Iranian behavior and their subsequent behavior exploiting this humiliation of American servicemembers. What action have you recommended that we take in response to this?

Secretary Carter: Well, we're -- everything we're doing in the Gulf, Chairman, including all of the actions that are funded in this budget, which include tens of thousands of Americans in the region -- we want that -- our ballistic missile defenses in the region -- we want that --

Chairman McCain: I see, but all of these things are planned and in the budget. I wonder if you had planned on any specific action that the Iranians would know is a result of our -- humiliation of our servicemembers.

Secretary Carter: Well, I've made it quite clear that --

Chairman McCain: You've made it quite clear that you're outraged and all that, but what specifically have you recommended to do in response to that?

Secretary Carter: We're continuing to take all of the actions that we need to --
Chairman McCain: What -- obviously, the -- the specific action in response to the Iranian outrage.

Secretary Carter: At the time of the incident, we prepared to protect our people. It turns out they were released in time. We later had the opportunity to see them being filmed in the way they were. And it made very clear that that's the kind of behavior we wouldn't want to engage in.

Chairman, you want to add anything?

Chairman McCain: Is stability in Afghanistan and the region in our national interest, particularly in light of the testimony of General Campbell and General Nicholson that the situation in Afghanistan is deteriorating?

Secretary Carter: I'll start there and then ask the Chairman to chime in.

Chairman McCain: I'll ask -- fine.

Secretary Carter: The -- well, the situation in Afghanistan is very important to us. We have -- the Afghans had a tough fight this last fighting season. They're going to have a tough season this time. And it's important that we -- not just we, but the rest of our coalition, stay with them, not just this year, in 2016, but in 2017 and so forth. And we're continually assessing and adjusting how we give support to the Afghan Security Forces --

Chairman McCain: Do you -- but, you don't disagree
with General Nicholson and General Campbell -- I guess I'll
ask General Dunford -- that the situation is deteriorating
in Afghanistan? Do you agree with that?

General Dunford: Chairman, I listened to their
testimony. I think they provided an accurate assessment of
the situation in Afghanistan.

Chairman McCain: Do you consider the Taliban to be a
threat to Afghanistan's stability?

General Dunford: I do, Chairman.

Chairman McCain: Then, why do U.S. forces not have the
authority, other than self-defense, to target Taliban
fighters in support of our Afghan partners?

General Dunford: Chairman, right now --

Chairman McCain: The threat to our stability and the
situation is deteriorating, and yet we were -- still don't
give the authority of American forces to -- other than self-
defense -- to target Taliban fighters.

General Dunford: Right now, Chairman, our authorities
are focused on supporting the Afghan forces in their fight
against the Taliban.

Chairman McCain: So, even though the situation is
deteriorating, even though they continue their attacks, even
though -- then we still do not give the U.S. forces the
authority to target Taliban fighters unless they are
directly attacking the United States.
General Dunford: At this time, that's correct, Chairman.

Chairman McCain: Does that make sense to you?

General Dunford: Chairman, we're in the process of reviewing the lessons learned from 2015. We have some recommendations made by General Campbell. We --

Chairman McCain: We're well into 2016, and right now the plan is to cut the force from 9,800, drop down to 5,500 by the end of this year. And here we are, in March.

General Dunford: Chairman, where I was going was, we have recommendations from General Campbell for changes made by -- made -- to make in 2016 as a result of lessons learned in 2015. This week, we conducted a video teleconference, Secretary Carter and I with General Nicholson, who's on the ground in Afghanistan right now, to get his thoughts. And we're in the process of making recommendations to the President for changes that might be made to make us more effective in supporting Afghan forces in 2016 and making them more successful.

Chairman McCain: Including the force levels?

General Dunford: A full range, to include capabilities, that's correct, Chairman.

Chairman McCain: Last year, in the 2016 Future Years Defense Program, where you indicated that you needed an additional 37 billion above the BCA caps in 2016, the then-
Chairman of the Joint Chiefs of Staff said we're at the lower ragged edge of manageable risk. Now you're saying that it seems to be okay, even though the Army had to cut 24 UH-60 Black Hawk helicopters, the Air Force had to cut five F-35s and 45 over the next 4 years, the Air Force -- the Navy plans to lay up an additional five cruisers, the Marine Corps plans to cut 77 joint light tactical vehicles and $1.3 billion in military construction, et cetera, et cetera. All of those cuts are being made, as opposed to what you asked for last year.

So, now you're saying that we can -- and, by the way, we've seen this bow-waves movie before. When you cut F-35s, when you cut the Black Hawks, when you cut them, you increase the costs, because the original plans are at optimum cost. So, now you're satisfied with the level, which is $17 billion less than last year, even though your predecessor said we were on the lower ragged edge of manageable risk with the amount we had last year, which was $17 billion more. It's hard for us to understand, General.

General Dunford: Chairman, to be clear, what I've said is that the budget this year is sufficient to execute the strategy. There is associated risk in that, and I've provided a classified risk assessment to the Secretary. You'll see that some of the investments that we made this year are designed to address that risk.
My most significant concern, frankly, is the bow wave of modernization that has been deferred that we're going to start to see in fiscal year '19, '20, '21, and '22. So, by no means have I said that the resource level for the Department as we look out over the next few years is adequate. What I simply said was that this year's fiscal year '17 budget is sufficient to meet the strategy.

Chairman McCain: So, it's okay with you to cut 24 Black Hawks, five F-35s, 45 over the next 4 years, Marine Corps cut 77 joint light tactical vehicles, 1.3 billion in military construction, which last year was told to this committee that you needed.

General Dunford: Chairman, that's not what I said. I didn't say it was okay to do those things. What I said was, with regard to this budget, we have made the best decisions that we can within the top-line that we were given from Congress. So, what I'm comfortable with is that we have made the right priorities. I'm not comfortable that we have addressed all the requirements.

Chairman McCain: Senator Reed.

Senator Reed: Well, thank you very much, Mr. Chairman. And thank you, gentlemen, for your testimony. One of the key issues that the committee is focused on and you're focused on is readiness. And, General Dunford, readiness is a function of not only resources, but time.
Can you explain, or at least -- I think the question is, Within the constraints you face, which are significant, you have tried to maintain and improve readiness, but that won't happen just with more money. That'll take time.

General Dunford: Senator, thank you.

That's right. From my perspective, there's three components. There's the money, there's the time, and then there's operational tempo. And the operational tempo has maintained at a very high level, even as the force has drawn down from its peak, 3 or 4 years ago. As a result of sequestration, and particularly in 2013, we laid off a lot of engineers, we laid off a lot of artisans. We had a backlog of maintenance. That's going to take time to recover from that backlog of maintenance. In some cases, we deferred modernization issues, equipment, and so forth, that'll have an impact on readiness. And then, being able to recover, from a training perspective, requires an operational tempo that's much more sustainable than the one we have right now. So, from my perspective, that's why it's going to take -- and I think you've heard from the service chiefs -- in probably the near term, one of the services will be ready in about 3 or 4 years; and the Air Force, at the outside, I think has identified 2024 before it fully recovers. In a -- and much of that is a function of aircraft maintenance and readiness.
Senator Reed: But, in the context of this budget, the resources that you have available, the dollars, for readiness is sufficient at least to continue the improvement in readiness that you must achieve. Is that your estimate?

General Dunford: Senator, the Secretary prioritized the readiness, particularly the readiness of those forces that will deploy. And so, we have bought as much readiness as we can in FY17. Many of the issues that we have with regard to readiness can't be addressed with additional resources this year. Again, they'll take time.

Senator Reed: Thank you.

Mr. Secretary or Mr. McCord, with respect to procurement, my understanding, but please correct me, is that you've done all you can to maintain multiyear contracting for systems, which essentially keeps us in the ball game, if you will, but that if we do not fix the sequestration problem next year, this fragile structure will sort of fall apart. But, we are still maintaining the cost-efficient multiyear contracting --

Secretary Carter: We are.

Senator Reed: -- and we're not cutting back on those deals.

Secretary Carter: No, we are. And this gets to the point the Chairman raised about, How are we -- how did we accommodate the difference between what we planned last year
and what we got in the Bipartisan Budget Agreement. That --
what I described as a net of 11 billion of our almost 600
billion. How did we accommodate that? As the Chairman said
-- and I was very insistent upon this, as was the Chairman
-- we protected readiness. So, the principal impact came in
a number of modernization programs, to include aircraft,
shipbuilding, a number of minor modernization programs.
That's what we did. It's all out there, and I'm sure you'll
be reviewing it.

What we didn't do was not fund the service readiness
recovery plans, where -- as they try to move back to full-
spectrum readiness from where they've been after the Iraq
and Afghanistan wars. That's what we need in all of the
services, is full-spectrum. Making up some of the
maintenance backlog, that particularly affects Marine Corps
aviation. We did not change any of our end-strength goals.
We did not change military compensation to make this
difference. We didn't terminate, to your point, any major
programs, any multiyear contracts. We didn't RIF any
employees. We didn't have to do any of that, but we did
have to make adjustments. And they're there for you to see.

And are we happy making those adjustments? No, but
that's what we needed to do to accommodate the Bipartisan
Budget Agreement. Now, if the Bipartisan Budget Agreement
were to fall apart, as everyone has said, that is our
biggest strategic danger, because that will affect, in the future years, our ability to recover full-spectrum readiness, it will affect all those things that we did not have to affect this year. But, that's how we adjusted to the Bipartisan Budget Agreement.

Senator Reed: And just a final point. Is -- the concurrence or the opinion that has been expressed by, I think, everyone here about other need to end sequestration before 2018 is critical, paramount, has to be done.

Secretary Carter: That is the greatest strategic risk to the Department of Defense, is the reversion to sequestration. I very much hope we can avoid that.

Senator Reed: Thank you, Mr. Chairman.

Chairman McCain: Senator Inhofe.

Senator Inhofe: Thank you, Mr. Chairman.

I'm not going to ask a question about Gitmo. And this is a budget hearing, but it's one that you should both be aware that the -- there are two groups of people at this table up here. One is the hardliners, who feel it's just absurd to even think about giving up the resources that we have there, and particularly in light of the fact that we have a recidivism rate of, what, 30 percent or so. Others are going to be talking about -- asking questions about that, so I'll let them take the time to do that. But, that'll be one of the considerations you have.
You know, it's easy to kind of get -- I'm not saying that we're hearing glowing reports right now, but we do hear all the time, as you said, Secretary Carter, we have the best-equipped, the best-trained, and all of that. That sounds good. That's the good side. But, there's a bad side, too. We're not where we normally should be and have been in the past. Have you -- we've had probably more hearings, in the years that I've been on both the House and the Senate Armed Services Committee, this year than we've ever had before. And I think I -- I think that's the right thing to do. People are going to have to wake up and know the problems that we have.

Now, when we -- before this committee, Lieutenant General Nicholson said the security situation in Afghanistan is deteriorating. I think we probably agree with that. Last week, General Austin, before this committee, the -- he's the CENTCOM Commander -- in response to Senator McCain's question, he testified to this committee, just last week, that it may be time to reconsider the plan to reduce America's military forces in Afghanistan.

General Dunford, is he right?

General Dunford: Senator, thank you.

As a matter of fact, we're in the process right now of reviewing --

Senator Inhofe: Of reconsidering.
General Dunford: Absolutely. It's a constant process, Senator. And the Secretary and I have spent a fair amount of time on it, just this week, with General Nicholson, and we spent some time with General Campbell before he left. And we're in the process of bundling together some recommendations to bring forth to the President.

Senator Inhofe: You know, we hear dates all the time about when something's going to be decided. Now, let -- isn't it better idea to let conditions on the ground determine what and when we're going to -- changes we're going to make?

General Dunford: Senator, I think that's exactly what we did in the fall when a decision was made to keep 9800 through 2016. So, I agree with that.

Senator Inhofe: Okay. The two quotes that I gave from General Austin and General Nicholson, have you discussed with them specifically about the force-structure requirements?

General Dunford: We have, Senator.

Senator Inhofe: Okay. Have you presented any of the recommendations to the President?

General Dunford: We have not yet, Senator.

Senator Inhofe: All right. Are --

General Dunford: We're still in the process of deliberating that, between the Secretary and I. And we had
a video teleconference with General Nicholson this week to
make sure that we get the latest from him. He's now had a
chance to -- in both his predeployment site survey as well
as being on the ground now since taking command, he's had a
chance to make a personal assessment. It was important to
both the Secretary and I that we heard from General
Nicholson before we went -- move forward.

Senator Inhofe: Okay. Let me include one more thing
that I want to get in this committee. Because we've had a
lot of people testifying, the very best that we have. And I
have a great deal of respect for all of them, and they are
very blunt about the problems that we have. Admiral
Gortney, NORTHCOM commander, he testified to this committee,
just last week, that North Korea's recent nuclear test and
satellite launch demonstrate that Kim Jung Un, which we know
is mentally deranged, his commitment to developing strategic
capabilities as well as his disregard for the U.N. Security
resolutions, we all, I think, agree with that. Admiral
Harris said -- the PACOM Commander -- he testified to this
committee that Chinese coercion, artificial island
construction, militarization in the South China Sea threaten
the most fundamental aspect of global prosperity, freedom of
navigation, and their forces are opening at a higher tempo,
in more places, with greater sophistication than ever
before. Do you -- the two of you agree with that?
Secretary Carter: I certainly do, Senator. And this is, by the way, why we need to remain vigilant with respect to North Korea and its ballistic missile activities and other activities. I mentioned "fight tonight." And this is why we need the budget that we're asking for, and why we've got to avoid sequestration in the future. These are all serious matters.

Senator Inhofe: Well, all serious matters. I contend that we're in the most threatened position that we've ever been in as a Nation. I look back wistfully at the days of the Cold War. I mean, right now, we have people like -- mentally deranged people might have a capability of wiping out an American city. So, that's a serious thing.

I would only leave you with a quote that both of you heard last week from Congressman Frelinghuysen, when he read you a quote made by Winston Churchill 70 years ago. And this is the quote. He said, "What -- from what I have in" -- particularly keeping in mind of what Putin has been doing in the Ukraine and other places, disregarding the threat that we would pose to him -- he said, 70 years ago, "From what I have seen of our Russian friends and allies during the war, I am convinced that there is nothing they admire so much as strength, and there's nothing for which they have less respect for than weakness, especially military weakness." I want you guys to keep that in mind as you're
developing this budget.

Secretary Carter: Will do.

Senator Inhofe: Thank you, Mr. Chairman.

Chairman McCain: Senator Gillibrand.

Senator Gillibrand: Thank you, Mr. Chairman.

And thanks, to all of you, for your service and for this hearing.

I want to talk briefly about cyber. Cyberattacks against the homeland are already a menacing threat to U.S. infrastructure, businesses, and defense. In the case of a severe domestic attack, DOD's unified commands will be responsible for coordinating a response in support of the Department of Homeland Security. However, CYBERCOM has reported a projected shortfall in its manning goals for fiscal year 2018, and there are concerns that DOD cyberoperators, both Active and Reserve, may not be able to seamlessly operate under the current patchwork of relevant authorities. How would you assess current coordination and interoperability between NORTHCOM, STRATCOM, and Homeland Security? And what could be done legislatively to complement those relationships? And can you describe the level of involvement the National Guard cyberoperators might play in the event of a major domestic cyberattack? And do you believe they are adequately trained, equipped, and funded to meet that expectation? And finally, do you
believe each responsible agency with cybermandate, defense
or otherwise, currently has the authorities it needs to
coordinate an effective response domestically?

Secretary Carter: Thank you, Senator.

Let me take the part about the Guard first, if I may.
It -- I was out in Washington State a couple of weeks ago,
where there is a terrific National Guard unit working on
exactly what you're talking about; that is, defending the
Nation and also defending our DOD networks, upon which we're
so dependent, from cyberattack. These are people who --
whose day job is to be the cyberdefenders for some of our
most important IT companies and tech companies. So, they're
at the highest skill level that the private sector has. And
yet, they're making their skills available to their country
through the National Guard. So, this is a tremendous
strength, among many, of the National Guard, the ability to
bring us -- to us a talent that we would otherwise have
difficulty attracting and retaining.

To get to your first part of your question,
nevertheless, we do try to attract and retain, and we have
some success in that regard. And that's what we're doing as
we build out the 133 cyber mission teams for CYBERCOM.
CYBERCOM does work, not only with our combatant commanders
on wartime needs, including, by the way, joining the fight
against ISIL and disrupting ISIL, blacking out ISIL, but
also defending the country. Now, we do do that, as you
suggest, in connection with Homeland Security, in connection
with law enforcement. All that's perfectly appropriate. I
-- there are some legislative acts that have enabled us
better in that regard. It's possible that we could do still
better in that regard.

With respect to CYBERCOM's own authorities, I will tell
you that we adjust them continuously. And, just this week,
actually, I'm talking to Admiral Rogers about some of his
authorities and what we can do to expand those authorities.
So, it's a very actively moving --

Senator Gillibrand: So, could you submit a letter to
me or this committee if there's additional authorities you
feel you need --

Secretary Carter: Will do.

Senator Gillibrand: -- so we can work on that?

With regard to military sexual assault, you're aware
that, every year, I've been asking for files from the four
major bases, and this year I added the four major trading
bases, so I could just get a snapshot in time of, How do
these cases go? What do they actually look like once
they're filed and once they're taken to court? What we find
is that more than half of the victims are civilians, which
isn't entirely captured by our survey -- spouses and
civilians, not fully captured. And the second thing I
learned was that there's a 50-percent dropoff rate; once someone actually files a complaint, about 50 percent do not continue with their complaint during the course of the year, which is a huge problem. And so, one of the things that this committee's done is, we are going to put in place a defense advisory committee on investigations, prosecution, and defense of sexual assaults. And that's supposed to be an independent civilian review board that looks at this, designated by the President. It's very important to me that the executive director of this committee is independent, so that they can actually give us advice. And I would like your commitment that you will look at the staffing of that individual. And I'm hoping that you will chose a civilian to be the executive director, and one with prosecutorial experience; specifically, experience in sexual violence prosecutions, which are among the hardest to ever end in a conviction.

Secretary Carter: Well, I -- first of all, I thank you for your leadership in this issue. It's a really important issue. Of course we'll work with the committee on this -- in this, and I promise you that, as in other matters. And I'll just say very clearly to you how much I appreciate your leadership on this issue, because this is unacceptable in our military, because our military is about honor and it's about trust. And sexual assault violates honor and trust.
So, we can't have any of it. And the more we learn, the more we -- as you say, there are other dimensions to it. Civilians, retaliation, which is another thing that you have rightly stressed, we need to pay attention to. So, this is something that we cannot stop learning about and doing better about. And, in this respect, I promise to continue to work with you.

Senator Gillibrand: Thank you.

And, General Dunford, because I'm out of time, I'm going to submit for the record a specific question about combat integration that I would love your response on.

General Dunford: Thank you, Senator.

Senator Gillibrand: Thank you so much.

[The information referred to follows:]

[COMMITTEE INSERT]
Senator Gillibrand: Thank you, Mr. Chairman.

Chairman McCain: Senator Fischer.

Senator Fischer: Thank you, Mr. Chairman.

Secretary Carter, I'd like you to talk more about the third offset initiative. Specifically, what is new about it? Is it new money? Is it a new way of using that money? As you know, we spend tens of billions of dollars every single year researching and developing technologies. And that is well in excess of our adversaries. And this committee's heard a lot about how our technological edge is eroding. So, I'm wondering, if that level of investment, and specifically the way we are using it, wasn't sustaining our technological advantage, what about the offset initiative is going to ensure that that avoids a similar fate?

Secretary Carter: Well, thank you, Senator.

And our efforts are about both new money and new ways of using that money. The new money, we are asking for in this budget, notwithstanding the $11 billion that we absorbed. We didn't take that in our RDT&E. We are increasing research, development, test, and engineering, relative to last year. Science and technology, which is part of that, also. But, we are doing it in new ways. And I'll give you a couple of examples of that -- two very important examples.
One is reaching out to the high-tech industry that does not have a tradition of working with the Department of Defense. When I started out in this business, long ago, it was -- all the major technologically intensive companies in America worked with the Defense Department. It was part of the legacy of World War II and the Cold War. I'm trying to, and we are trying, in the third offset, to rekindle those relationships with the high-tech industry. We find them willing, patriotic, eager to help serve. We have to do it in a way that's compatible with their business and technology models. And we're doing that.

And secondly, we have some innovative new parts of our Department. One I've called attention to is the Strategic Capabilities Office, which is specifically looking at, and has already made major progress in, highly innovative things, like electronic warfare drones. They're -- that's the place where the idea of giving the SM-6 missile anti-ship capability came from, taking an old system, giving it a brand new capability. So, we're trying to back the innovators in our Department as well as connect with the best parts of innovative American society. Because, next to our people, our technology is what makes us great, and we get our technology because we're part of the most innovative country in the world.

Senator Fischer: So, you would say that the process
for developing these technologies -- would you say that it has not been working in the past, and that's one of the main focuses, then, of the offset, is to not only work within the Department, but also to reach outside the Department, and not necessarily looking at specific programs, but having a more open, innovative mind --

Secretary Carter: It is --

Senator Fischer: -- on this, then?

Secretary Carter: Certainly, that's what it comes down to. Both our traditional programs, we need to make them move along faster, make them more agile, do a better job of incorporating technology in them, and reaching out to the innovative part of our society and trying to get -- getting them interested in these vitally important national security problems, and working with us, as has been the tradition in America for decades and decades.

Senator Fischer: Right. And you know innovation is very risky. So, when we're looking at putting more money into the programs, I think all of us realize that losses are going to occur. We're not going to see a success rate with every program that you're trying for. There will be no results in some areas.

Secretary Carter: That's correct. If you --

Senator Fischer: We're not --

Secretary Carter: -- don't take risks --
Senator Fischer: But, we're not in a risk-tolerant environment. How do you address that?

Secretary Carter: Well, it's -- that's a problem. We want our innovators to take risk. Taking risk, by definition, means that sometimes things won't go the way you'd hoped when you're exploring a technological frontier, when you're testing a weapon system. And we have to be tolerant of risk as -- provided that risk was taken advisedly, in the interests of making a leap ahead in technology. We have to do that. If we're too risk-averse, then we're always going to be behind the technological curve, and not up with or above the technological curve. And our enemies take risks. No question -- our potential enemies take -- they take those risks. We need to take those risks also.

Senator Fischer: Thank you, sir.

Thank you, Mr. Chairman.

Chairman McCain: Senator Kaine.

Senator Kaine: Thank you, Mr. Chair.

And thanks, to all of you, for your testimony.

General Dunford, you, in an interchange with the Chair about, you know, how you look at PB-17 and whether it does all you might want to do, I think you said, quote, "Our budget is based on the top-line that Congress gave us." And then, as I look at your written testimony -- I'll just read
"To accommodate a constrained top-line, PB-17 defers near-term modernization, which will only exacerbate a coming bow wave of strategic recapitalization and other procurement requirements. More broadly, the cumulative effect of top-line reductions over the past several years has limited the flexibility and resiliency of the joint force, and, looking ahead, I'm concerned that the demand for future capabilities and capacity will outpace the resources available, forcing even more difficult decisions to match strategy and resources."

The constraint that we're talking about with respect to these top-lines is the 2011 sequester BCA caps, correct?

General Dunford: That's correct, Senator. In -- and I think, particularly, as I recall, fiscal year 2013 was particularly devastating --

Senator Kaine: Right.

General Dunford: -- to our ability to plan and execute.

Senator Kaine: We had an opportunity to turn off sequester before it went into effect on March 1, 2013, and we chose not to turn it off, and then that has created downstream challenging consequences.

So, the real issue, I think, for us, if we put national security first, has got to be, What do we do about that constraint? Now, what we've done is, we've done two 2-year
budget deals in a row that have averted some of the
sequester cuts and provided some relief from the BCA caps.
But, in each instance, when we did that, we also pushed the
budget caps out an additional 2 years. So, you are facing
the reality of -- it's like an automatic snap-back sanction
in these budget caps. If Congress were to not agree on a
budget -- and we've got a history of not agreeing on stuff
over time -- we will snap back to a punishing sanction
against our own Nation's ability to defend ourselves. And
we've now pushed that out significantly into the future,
into the late 2020s. And that's the risk that you're
talking about. The risk of falling back into sequester and
punishing our national security is the significant concern
that we're grappling with.

General Dunford: Senator, that's exactly right. But,
even if we avert sequester, we have now accumulated bills
that will all come --

Senator Kaine: Yeah.

General Dunford: -- due simultaneous. And, as I
alluded to in my opening statement, the modernization of the
nuclear enterprise will come now at the very same time that
we'll start to recover from some of the deferred
modernization over the last several years. So, even at the
originally projected level of funding that the Department
asked for, I would assess that probably in the late teens
and early '20s, again, we'll hit this bow wave of modernization that'll make it very difficult to balance readiness, force structure, infrastructure, and modernization. And that's the balance that we try to have. And the more out of balance we have become over the last few years, the more difficult it will be to achieve balance in the out years.

Senator Kaine: There are some who, I think, have -- I've heard argue that we don't -- you know, we don't need to worry that much about sequester and the BCA caps, because what we can do is, we can just plus-up the OCO accounts as we kind of approach the budgetary challenges each year to try to deal with these issues.

Now, from my way of thinking, that can be some short-term, temporary relief. But, OCO, which should have a particular role in a defense budget, obviously -- but, OCO is not money that you can really count on. You can't count on it for following years. And so, you could get OCO money in a year, but you would still face the sequester coming back, you're not sure whether you can count on OCO money the following year. Wouldn't you agree with me that sort of relying upon successive annual battles about OCO funding is not near the same as providing you with the kind of certainty that you need to have?

General Dunford: Senator, we need three things. We
need predictability. We need the right level of resources. And we need those resources to be in the right areas. We need all three of those. And so, I couldn't agree with you more.

Senator Kaine: Well, my hope is, as we are talking about the NDAA this year, is that we will really grapple with this sort of snap-back sanction that we're imposing on ourselves, which, if it ever -- if we ever fell into it -- I mean, again, I hope we're always going to be able to reach agreements, but we've now pushed this sequester and the BCA caps out for quite some time, and if somebody decides to hold up the process or we just can't reach an agreement for a good-faith reason, we are just -- built this self-punishment into our mechanism. And I hope part of what we might try to do in the NDAA this year is just agree, look, we are not required to continue a sequester that was put in place with budget caps in the summer of 2011, pre-ISIL, pre-Russia into the Ukraine, pre-North Korea cyberattacks, you know, pre-Ebola, pre-Zika. We don't have to live by a 2011 reality in 2016. And I -- and if anyone will see this and the importance of it in Congress, it's going to be the Armed Services Committees in both houses. We should be at the forefront of this. And I know the Chairman has made this an important priority, and will continue to do that.

Thank you very much.
Chairman McCain: Senator Wicker.

Senator Wicker: Thank you.

And I'm glad Senator Kaine brought this up, because it's exactly what I wanted to start with. And the Chair has made this a priority.

Let me just ask you, Secretary Carter and General Dunford, looking back several years ago, when sequester was headed our way but we really didn't think it was a reality, -

I would ask people in your chair, other people, Are you planning for sequester? And their answer was, "No, we're not planning for it. It was never intended. We were sure you ladies and gentlemen will fix it. And it's unthinkable that we would do this." And, of course, the unthinkable happened, and we had to deal with it.

Now, you -- we've dealt with it once, and that was bad enough. But, tell us about how going there a second time would be a whole new problem. And also, General Dunford, did I -- and I'll let you go first -- did I hear you say, if we avoid sequester this time, we still don't have enough money to take care of the national defense needs that you have to take care of? Is that what you're saying?

General Dunford: Senator, it is. What I'm saying is, even at a level of funding that avoids sequestration, we have a bow wave of modernization that's, in part, a result of the last 3 or 4 years of the budget, and also a result of
that bow wave for the nuclear enterprise that I alluded to.

So, when you look at deferred modernization, the modernization that we would do in a normal course of events, plus the nuclear enterprise all coming due at or about the same time, my assessment is that we would be -- we will be challenged even if we are at above sequestration level of funding. And with regard to the other 100 billion, I would just simply say -- and Senator Kaine has listed the things that have all changed since the defense strategic guidance was written in 2012 -- my assessment is that if we are confronted with --

Senator Wicker: So, let's reiterate those. And --

because I've --

General Dunford: Well, I -- it's very simple.

Senator Wicker: -- interrupted your train of thought.

But, we're talking Russia, we're talking ISIL --

General Dunford: I'm talking Russia, I'm talking ISIL, I'm talking the behavior of North Korea, I'm talking increased malign influence by Iran, and I'm talking about the activity in China, which concerns us, in terms of maintaining a competitive advantage. Their investment over time in their defense capabilities and some of their behavior in the Pacific also concern me from a competitive-advantage perspective. So, I would say there have been profound changes in each of the five challenge areas
identified by the Secretary that should inform future
budgets.

Senator Wicker:  Okay.

And, Secretary Carter, are -- is there some room in
your shop where we are planning for this disastrous
eventuality if we're not able to reach an agreement and if
the law of the land, which is sequestration, again, kicks
in?

Secretary Carter:  Well, let -- first of all, let me
associate myself with everything that Chairman Dunford said.
It's exactly right.

And with respect to your question, Senator, sadly, the
Department did learn what it was like to feel sequester.
And I'll -- I can say what some of the effects are, and
you'll immediately see why we're so concerned about it
kicking back in the future.  Uncertainty and turbulence
cause us to do things inefficiently managerially.  So, like
issuing short-term contracts, turning things on and off.
The strategy that the Chairman was just referring to, and
the five major threats we face, those aren't 1-year things.
And we can't budget and program 1 year at a time, herky-
erky fashion and meet those.  It's unfair to our people for
them to have budgetary uncertainty.  They look here, they
look to Washington, and they wonder what's going on and what
is their future.  I'm concerned about the picture it paints
in the world when we do this to ourselves, to our friends
and also our potential foes. So, we do know what the
consequences are. We did go through it in recent years.
And it has very deleterious effects on how we manage
ourselves and how we protect ourselves.

And the last thing I'd like to say is also to associate
myself with something the Chairman said particularly with
respect to the nuclear enterprise. We see bills out there
for the -- to keep safe, secure, and reliable nuclear
arsenal, just to pick one very big item, which will include
the Ohio replacement-class submarine, ICBM modernization --
we go down that road -- and other things. And that money is
going to have to be provided for us to have that. That's a
bedrock capability. So, averting sequestration, absolutely
necessary, but, on top of that, we're going to need the
funding that the country needs in future years to defend
ourselves and protect our people.

Senator Wicker: Well, thank you. We rely on you to
tell us what you need. And let's speak it out loudly and
clearly from both sides of this table, and make it clear
that what is at stake is nothing less than the national
security of Americans.

Thank you, all three.

Chairman McCain: Senator Blumenthal.

Senator Blumenthal: Thanks, Mr. Chairman.
We often remark, in this committee, to thank the witnesses for their service to our Nation. And truly, we have three individuals this morning who have served our country over many years with extraordinary and unique distinction. So, we thank -- I thank you for all of your service to our Nation.

Secretary Carter, you noted, in your testimony, that we do not have the luxury of choosing between strategic challenges that our Nation faces. And certainly one of those challenges is undersea warfare. As you know, our attack submarine force is projected to fall below the minimum desirable, 48 boats, by 2025. And it may go as low as 41 by 2029. Our submarines are among our most versatile, stealthy, and strong forces available to defend and also to conduct offensive operations. Considering the gap that we are approaching in submarine capabilities, wouldn't it be wise to consider building three submarines a year, two Virginia-class along with the Ohio replacement program? And would you support such a move?

Secretary Carter: Senator, thanks.

First of all, with respect to your general point about the critical importance of undersea dominance, that's an area where our military excels over all others. It's a critical area that we are targeting in this critical budget to keep and extend that advantage. It involves submarine
construction. It involves, as I mentioned, the Virginia payload module, some other things, like undersea -- unmanned undersea vehicles that -- some of which I can talk about, some of which I can't -- and a host of other undersea capabilities. So, that's a major thrust of this budget.

With respect to submarine-building numbers, we have laid into the budget this year, as we planned, and we've -- we sustained that, we stuck with that -- our two submarines per year through the FYDP. Your question is, Will we, as we get to the point of the Ohio-class replacement in the future, want to add submarine shipbuilding capability and ships per year? Yes. That gets back to the point about having the money, when we begin the Ohio replacement, to keep a safe, secure, and reliable deterrent. We can't have that at the expense of our general-purpose Navy. That's a point we've all been making. And that's going to require additional funding.

Senator Blumenthal: So, if the shipbuilding capacity is there to do it, you would favor going that route, of three submarines a year, if necessary, to meet that gap.

Secretary Carter: We're -- yes, we're going to need to build the Ohio-class replacement submarine without shorting the rest of our undersea dominance.

Senator Blumenthal: Secretary Carter, thank you.

Earlier in the week, I think you met with Israeli's
Defense Minister and others in the military establishment there. Can you commit to us that you will ensure that Israel maintains its qualitative military edge? And can you update us as to when the negotiations on the Memorandum of Understanding will be done?

Secretary Carter: I obviously have that commitment. That's something that my good friend and colleague Israeli Defense Minister Yaalon and I discussed. And we will do that.

With respect to the MOU, that's something that the President and the Prime Minister discussed, so it's not something that the two Defense Ministers decide. However, in our conversations, which are frequent, the -- Minister Yaalon and I do discuss what the Israelis need, now and going forward. And I -- we use that to inform those discussions about -- over the MOU and the amount of help that we give to the Israelis to defend themselves in what is a very dangerous region.

Senator Blumenthal: Finally, I have long been concerned, as many of my colleagues have been, about the Iran ballistic missile program, its continuing testing. I led a letter to President Obama, with a number of my colleagues, calling for immediate enforcement of sanctions against Iran. And the Department of Treasury, following the letter, did indeed enforce sanctions against 11 entities and
individuals supporting Iran's missile program. Clearly, more must be done to deter Iran from continued aggressive pursuit of this program. General Votel and General Austin, literally within the past week or so, testified to this committee about the need for increased sanctions. Do you agree?

Secretary Carter: I do. That's not a responsibility of the Department. But, a responsibility of the Department that we very much fulfill, and I know you discussed with them, is our defensive commitments with respect to Iranian ballistic missiles, both for our forces in the region and our friends and allies, who include Israel, but there are others, as well. That’s why we have the missile defense and other capabilities in the Gulf, and why we need to keep them strong. And I did discuss those also with Defense Minister Yaalon, including the help we give to the Israelis with respect to Iron Dome and David's Sling and Arrow, which are their three tiers of their own territorial defense against ballistic missiles.

Senator Blumenthal: Thank you very much.

Thanks, Mr. Chairman.

Senator Reed [presiding]: On behalf of Chairman McCain, Senator Sessions, please.

Senator Sessions: Thank you very much -- I won't say would-be Chairman, but actual Chairman, I suppose, for a
second. The man who would be Chairman.

[Laughter.]

Senator Sessions: Well, it's a political world we're living in.

General Dunford, when you have a -- when we look at the Middle East -- we've had a number of witnesses testify here over recent months about it. I have come to the conclusion that there's just going to be a lot of violence for a long time. There won't be one victory that would make us safe. I've talked with our Democrat colleagues, and, from their comments in the committee meetings, it seems to me that we do need, and can maybe even agree upon, a strategy that could be bipartisan, that could extend beyond elections, that maybe the whole world would be able to support on how we confront this rising tide of violence and extremism. Do you think that's possible? And how close are we to achieving something like that?

General Dunford: Senator, I do think it's possible. I think we've done a lot of work, certainly internal to the Department, to take a long-term view of the Middle East and how to deal with the challenges inside of the Middle East. And I couldn't agree more. You know, we can't -- no more than we can develop a budget year-to-year and expect to be successful can we develop a strategy year-to-year and make lurching changes and expect to be successful. So, I think
that a basic thesis, Can we get a bipartisan strategy and an
approach to the Middle East that will carry out what we have
assessed to be a generational conflict? -- I fully concur
with that.

Senator Sessions: So, you assess it as a generational
conflict, meaning more than -- 20 years or more.

General Dunford: Senator, I think if you look at the
underlying conditions that have led to violent extremism, I
can't imagine addressing those in anything less than that
period of time. When you look at the economic issues, the
social issues, the political issues, the educational issues,
those are all things that will take a long period of time.
And my assessment is that violent extremism, in some form,
will exist until those conditions across the Middle East are
addressed.

Senator Sessions: Secretary Carter, do you agree with
that?

Secretary Carter: I do. And I'd go even further than
that. I mean, if -- first, what can't be tolerated in a
generational way is ISIL. And that's why we're so intent
upon accelerating the defeat of ISIL and -- but, to the
Chairman's point and to your point, Senator, that isn't
going to automatically create a Middle East that is free of
extremism. And it's not going to create a world that's free
of terrorism, because the trends in technology put more and
more destructive power in the hands of smaller and smaller groups. So, we recognize -- and it's part of our approach to our future defense -- that both nonstate and state actors need to figure in the investment portfolio of the defense of this country, going forward. Both of those are featured in our long-term budget. Even though we expect and need to defeat ISIL in the short term, we're making investments to protect ourselves against nonstate actors for the more distant future. And I think we have to.

Senator Sessions: Well, I tend to agree with that. We need to focus on who needs to be confronted, militarily, and defeated as soon as possible. And certainly, ISIL is number one on that list. Would you agree?

Secretary Carter: Absolutely.

Senator Sessions: And -- but, at the same time, we have allies in the region, we have allies who oppose some of these forces we oppose. We have some people in the region that would support people that we oppose. So, it's a very complex region, is it not? And we have to be -- and we need as many allies as we can have. And some of this fighting needs to be done by other people than us over the decade or generation to come. Would you agree with that?

Secretary Carter: I completely agree. And I'll just add to that. I was in Brussels a few weeks ago. I brought together all the Defense Ministers of all the countries that
are part of the counter-ISIL coalition. And, essentially,
my message was, exactly as you say, we're willing to lead
this, we're willing to do a lot, because we're powerful, but
we need others to get in the game. And particularly, we
need those in the region to play their part. And
additionally, we need, and we're finding, more partners on
the ground, because, both in Syria and Iraq, it's not only
necessary to defeat ISIL, but it's necessary to sustain the
defeat. And only those who live in the region can sustain
that defeat. So, we can help them, we can lead them, but
they need to do their part. And I emphasized to them that
we are going to defeat ISIL, and we'll remember who played
their role, and who didn't.

Senator Sessions: Well, thank you.

I guess my time's up. I would just thank my colleagues
that I -- that have expressed concerns about this overall
policy of the United States. I believe we could get there.
I believe we can achieve a policy that defends the
legitimate interests of the United States in bipartisan way,
and that can be sustained, no matter who gets elected
President in the years to come. And I think that's
important, because a great nation can't be flip-flopping
around on commitments around the globe.

Thank you all.

Senator Reed: On behalf of Chairman McCain, Senator
Donnelly, please.

Senator Donnelly: Thank you, Mr. Chairman.

Thank the witnesses for being here.

Secretary Carter, we're still losing over 400 servicemembers each year to suicide. We were able to get in the FY15 NDAA a requirement for -- under the Jacob Sexton Act, that every servicemember receive a person-to-person mental health assessment every year. Can you provide me with an update on the status of the Sexton Act's implementation and when the Department will roll out those annual mental health examinations?

Secretary Carter: Thanks, Senator. And thanks for your interest in this issue, which is an important part of the welfare of our folks. It is something that we've become increasingly attentive to. And I'll get back to you on the specifics of the implementation, that program.

[The information referred to follows:]

[COMMITTEE INSERT]
Secretary Carter: The thing I do know and want to say is that this is being reflected in our healthcare investments. As you know, we spend about $50 billion a year, out of the 600-or-so --

Senator Donnelly: Right.

Secretary Carter: -- billion we're requesting for you, on healthcare. And over the last few years, we have increased greatly the amount directed at mental health, to provide our folks with resilience, which is what -- the program you're talking about, so that they are not as --

Senator Donnelly: Right.

Secretary Carter: -- vulnerable and susceptible to the kinds of things that might drive them to such an extreme act, and also that we're treating people who already have reached the point where they have that kind of impulse.

I'll get back to you with the specifics, but --

Secretary Carter: Great.

Senator Donnelly: -- but it's very important.

Secretary Carter: And to continue to remove the stigma from --

Senator Donnelly: That, too.

Secretary Carter: -- trying to get help.

Secretary Carter: Mental -- we want people to seek mental health treatment when they need it, and we want everyone who's not seeking it to look sympathetically upon
that, like getting any other kind of medical --

Senator Donnelly: Great.

Secretary Carter: -- treatment.

Senator Donnelly: Thank you.

And, Mr. Secretary, I know how busy you are and the challenges we face around the globe. And one part of trying to solve those problems are our National Labs. As you know, in Indiana, we have Crane Naval Warfare Center. We had talked about you possibly coming to visit, just a morning, or a late afternoon, or a late evening, or a midmorning at 3:00-in-the-morning visit, so you can get an understanding of the strengths and challenges. When do you think we can make that happen?

Secretary Carter: I look -- are you -- will you come with me?

Senator Donnelly: Yes.

Secretary Carter: Okay.

Senator Donnelly: Even at 3:00 in the morning.

Secretary Carter: It's a deal. I love visiting all of our folks. There's nothing better than going out and getting among the people who serve this Department. In this case, it'll be laboratory scientists, but, whether they're troops or scientists or folks in industry, they're all part of what makes our military great. And we'll have a wonderful time, I promise.
Senator Donnelly: Thank you, sir. I appreciate it.

General Dunford, when you see what has just happened with Vladimir Putin, how do you judge that? What do you think he is doing? How will that affect things in Syria?

General Dunford: Senator, it -- honestly, it's too early to tell what he's doing. And I think those who have tried to predict Vladimir Putin's behavior have been universally proven wrong. What I would say that -- is this, though, that, when Putin went into Syria, he said his express purpose was to go down and address ISIL. And ISIL is not addressed. And so, what I think it does do is, it makes it clear that his original intent was not what he said it was, which was to go after ISIL, but it was obviously to support the regime. And I think what it also does is, for those who question whether the United States is the most reliable partner in the region, or not, I would just say, for the record, we're still there.

Senator Donnelly: Right.

Let me ask you and then the Secretary. How do we get to Raqqa? And, you know, the next question, obviously, is when? And there's no exact date on that. But, if you could give us an idea of how we get this done and how we eliminate ISIS presence on the ground, because it creates a danger to us.

General Dunford: Senator, we're -- you know, one thing
I would say is, we're already isolating Raqqa right now, and made significant progress over the last couple of months in limiting the freedom of movement between Raqqa and Mosul, cut that line of communication between Iraq and Syria. We've isolated Raqqa to the north with Syrian Democratic Forces who seized an area called Shaddadi, which, again, further cut the lines of communication. We have grown the capability and capacity of the indigenous forces that were supporting in Syria quite a bit. In fact, had I testified a month ago, I would have told you that we had about 2500 Arabs inside of the Syrian Democratic Forces. Today I can tell you we have 5,000 that are currently planning another operation that will further isolate Raqqa.

Senator Donnelly: Do you see -- just as an aside, not to interrupt you -- that number continuing to grow significantly?

General Dunford: Senator, I do. And I think that's -- my projection in the future is based on what's now recently happened. The more success we have -- and we've always said that -- the more success we have, we'll have what the Secretary described as a snowball effect, where people now are more willing to join us because they see the level of support that we're providing, and, more importantly, the level of success that these forces are having.

Secretary Carter: That's exactly right, Senator. And
we're -- what we described in December is transpiring; namely, the SDF is growing in size, the Arab component of that. They're on the move. They've taken Shaddadi. And, you're right, Raqqa is a key target, because that's what ISIL calls its capital. And we need to take that away from them and make it clear that a state based upon the ideology of ISIL is not tolerable. We are, in addition to backing those forces, pressuring Raqqa in lots of other ways -- from the air, but other ways, as well.

I want to raise something while we're on this, which is, we have -- which is very important -- in order for us to win, we need to constantly revise and adjust and take advantage of opportunities. We're trying to take advantage of opportunity right now, the Syrian Arab Coalition. In that connection, if I may, I need to plead for your help in releasing some of the funds that are allocated to precisely that purpose. And it's not just about this committee, but we have -- we made a request for those funds, and we got four different answers from four different committees. I know that's how the system works, but it's really tough to wage a campaign under those circumstances.

Senator Donnelly: And it's --

Secretary Carter: So, if I can plead for -- as we try to be agile, if we -- I can plead for some agility in responding to our funding requests --
Senator Donnelly: And it's --

Secretary Carter: -- I'm very grateful to --

Senator Donnelly: -- it's timely urgent right now.

Secretary Carter: It is time urgent.

Senator Donnelly: Okay. Thank you.

Thank you, Mr. Chairman.

Chairman McCain [presiding]: Senator Ayotte.

Senator Ayotte: Thank you, Chairman.

I want to thank all of you for being here and for your leadership, service to our country.

I wanted to ask -- New Hampshire is facing a terrible epidemic of heroin and Fentanyl that is coming over the southern border, and it's killing people in our States. And recently the Senate passed what's called the Comprehensive Addiction and Recovery Act to deal with the prevention and treatment side and some support for our first responders.

But, we know from prior testimony, both from our NORTHCOM and Southern Com Commanders, that the networks that are being used to traffic the drugs into our country also are networks that can be used to, essentially, traffic anything.

And so, I wanted to ask both you, Secretary Carter and General Dunford, What can we do to get SOUTHCOM and NORTHCOM the resources they need to tamp down on these networks that not only are killing people in our country, but also can be used networks to traffic other dangerous things into our
Secretary Carter: Well, I'll start, and then I particularly want the Chairman to comment, because he was just in the region, so he's -- fresh insight there. But, the basic story is, as you say, in -- while we do everything here back home to try to protect ourselves from this scourge, we've got to try to interdict the chains of supply. And our forces, in SOUTHCOM especially, but also NORTHCOM, are a part of that. One of the reasons why I'm so committed to working with you up here on the Goldwater-Nichols revisit effort that the Chairman and this committee have spearheaded and I am doing also in the Department and want to do with you, is because that is an area where -- your point, which is allocating resources among COCOMs in an agile, effective, and optimal way. That's where, from my point of view, I would like to strengthen the role of the Joint Chiefs of Staff and the Chairman. Because different COCOMs see different things in their regions. They're all deeply expert in their own regions. But, somebody needs to put it all together and give me advice about that, how to synchronize all those forces. I look to the Chairman and the Joint Staff for that. I'd like to get to -- for them to have more capability and authority to do so. I hope that's part of our effort.

And, with that, let me turn it over to the Chairman,
who just happened to be in the region last week.

General Dunford: Senator, I did -- as the Secretary said, I spent last week on this issue. I visited Southern Command, visited our Joint Interagency Task Force, and then I went down to Colombia. And on the bright side, what I was encouraged by is, the amount of information that we have, the amount of intelligence we have today far exceeds what we used to have. And if you look at the Joint Interagency Task Force alone, 15 different countries, now, sharing information intelligence.

But, what I found is that what we know far exceeds our ability to act on it, from an interdiction perspective. So, I saw exactly what you're alluding to, which was a shortfall of the resources necessary to interdict. And I came back with a much better appreciation of that. And, frankly, what I've asked our team to do is to try to look -- given all the challenges that we have, and given all the competition for resources, I'm still not convinced that we can't find some innovative ways to address the interdiction. And at least, if we took action on just the intelligence and the information that's --

Senator Ayotte: Right.

General Dunford: -- currently available --

Senator Ayotte: Right.

General Dunford: -- through the Joint Interagency Task
Force -- and the other thing, Senator, even in the -- we have Joint Task Force Bravo. I think you're familiar with them. So, while we've always had, really, a pretty good understanding of what's going on in the air and the sea, and increasingly better today, again, because of both the Interagency and the international cooperation, what I also found was, our ability to see what's going on over land is also much greater than it was.

And so, what you're alluding to is -- I do think -- and I came back with this -- you know, frankly, as something as a priority for me and the staff last week, coincidentally, was to come back and say, okay, we have all this information intelligence. I understand the competition for resources, but we have an imperative to actually do something about this. And, frankly -- I think you know it, because you've looked at the issue -- we -- what I've seen the studies say is that about 40 percent of interdiction is kind of where you need to be. In other words, there's other things you have to do, from prevention to treatment and so forth --

Senator Ayotte: Right.

General Dunford: -- to deal with the issue. But, if you get the 40 percent interdiction, that's kind of the contribution you can make at the interdiction level. We're probably half of that, or below.

Senator Ayotte: Or less.
General Dunford: And so, my priority -- and I'll come
to the Secretary with some recommendations -- is to try to
get us as close to that 40 percent as we can. And again, if
nothing else, to try to get us to the point where we're
acting in interdicting based on the intelligence and
information that we have today.

So, again, not a solution to the problem, but
encouraged by what we know. Now we've got to do something
about it. And, of course, it's not just a DOD issue. The
Coast Guard plays a huge role in that.

Senator Ayotte: Right.

General Dunford: Department of Homeland Security and
so forth.

Senator Ayotte: Well, I appreciate hearing you say,
General Dunford, you think it should be a priority, based on
your visit, because I remember also, when General Kelly was
Commander of SOUTHCOM, he had talked to me at length about
this, about -- that we had the information, and we could see
this stuff coming over. We just needed the additional
resources to interdict it.

And so, I really appreciate your putting a focus on
this, because we are -- you know, we need to do the work on
the prevention and treatment. We're focusing on that. But,
the interdiction would be very significant, because it's so
cheap on our streets right now, and that will help drive up
the cost. And also, we know that these networks are used to traffic -- used by terrorists and others, too. So, it's important for our homeland security, as well.

General Dunford: Mr. Chairman, if I could, one followup. The other thing that I came back with is, you know, kind of an imperative to keep our partnership capacity-building efforts in the region going, and funding those adequately, as well, because, you know, clearly, we can't do it all ourselves. We don't want to do it all ourselves. And the investment that we make in the ability of others to support the interdiction effort, I think is also an important part of this.

Senator Ayotte: Great. Thank you.

Chairman McCain: Senator King.

Senator King: Thank you, Mr. Chairman.

First, I'd like to associate myself with the questions and comments of Senator Sessions. I think the idea of developing a long-range strategy for dealing with the Middle East and violent jihadism is a -- is an important project. We can't just ad hoc it all the time. And this should be comprehensive, it should involve the Muslim world, the Arab countries, and other countries. So, I commend the Senator for bringing that up.

I'd like to go back to the budget and pull back a bit. We're facing a series of challenges. One is a huge debt,
now approaching $19 trillion, that we're passing on to our children, that I think is utterly irresponsible. The second is what I call the "interest timebomb." Right now, we're in a Never Never Land of low interest rates that's very unusual. If interest rates return to 5 percent, kind of average over many years, just interest on that national debt will be almost equal to the entire discretionary budget today, $950 billion, way more than the entire defense budget. Just the increase from 2 percent to 5 percent would almost equal the defense budget. That's money that's got to be paid, and that's an impending disaster out there.

The third fact is that all of our discussions here today and in the other committees about the nondefense discretionary budget, the total of what we're talking about is a little over 20 percent of the total Federal budget. Fifty percent is mandatory expenditures, which is being driven largely by demographics -- we're all getting older -- and healthcare expenses. And then another 25 to almost 30 percent is tax expenditures, which are rarely discussed, but which now exceed the entire revenues of the discretionary budget, over a trillion dollars a year. So, we're trying to solve a huge problem, looking at only one piece of it. It's as if you had a big problem in your family budget, and you said, "We're going to solve this whole problem just by focusing on our electric bill." And that's where we are.
And if you trim the lines out, we're already at the lowest point in 70 years in defense spending as a percentage of GDP. We're at the lowest point in 70 years as nondefense discretion. And we're struggling within this box that was created in 2011 to try to solve a problem that we can't solve within that -- within that -- the space of that 21 percent of the overall Federal budget.

So, it seems to me that you're doing a mighty job of working within the constraints, but if we don't go back and revisit the decisions of 2011, particularly in light of the reality of the world that we face today, we're facing a long-term catastrophe. I mean, you're a student of long-term Federal budget. Is this an accurate assessment, Mr. Secretary?

Secretary Carter: It is. And I -- it's -- the -- if I say it again this year, I said it at -- when I presented the budget last year, when I became Secretary of Defense -- that's not something we can solve in Defense, but we observe it.

Senator King: But, we're trying -- we're being forced to try to. That's what bothers --

Secretary Carter: You're exactly right. And you -- we're trying to solve an entire problem on the back of discretionary spending. And it's not enough. And it's not sustainable. Now, there are -- all those other parts of the
budget have to be in the picture. I understand that. I think that is what is necessary, to have everybody come together behind a budget future. And what -- one of the things that we're asking for here is stability and relief from those sequestration caps. I recognize --

Senator King: Well, we've gotten to the point, around here, where 2 years sounds like stability. I mean, we're feeling great when we have a 2-year budget deal.

Let me change the subject slightly. We've talked a lot about the bow wave and the modernization. We're talking about Ohio-class submarines, long-range strike bombers, missile upgrades. All of those are what I would call capital expenditures, in the sense that they are 30-, 40-year assets, and yet, in this strange world of Federal budgeting, they're treated as current expenditures. There's no way we're going to be able to handle those expenditures and do all the other things. Shouldn't we be thinking about them in a separate category? I believe there should be a capital Federal budget, assuming for a moment we could figure out what it is we own. But, we should have a capital budget for long-range investments, like a 40-year Ohio-class submarine, as opposed to trying to fund them out of current operating expenses. Is that something you'd consider?

Secretary Carter: Well, certainly we try to think that way. As we put together budgets 1 year at a time, we
prepare budgets 5 years at a time, as you know, even though you only consider budgets 1 year at a time. So, we try to have that long-term perspective. And I opened my testimony by saying we did, in this budget, take the long view. That's an important new thrust in this budget, is to look ahead 10, 20, 30 years from now.

Now, in order to do that, you have to be confident that the reasonable resources will be available then. To the specific point about the Ohio-class replacement and the strategic forces recapitalization, for example, I've already made the point that, even with sequester relief, there's going to have to be additional --

Senator King: Right. It just --
Secretary Carter: -- funds --
Senator King: It just doesn't --
Secretary Carter: -- for that purpose, because it's so large a bill --
Senator King: Right.
Secretary Carter: -- that we can't afford to have it squeeze out of our other submarine construction or other shipbuilding. And so, we have to take that long-term perspective, I agree with you.

Senator King: Good.
Thank you, Mr. Chairman.
Chairman McCain: Senator Cotton.
Senator Cotton: Thank you.

I want to continue along the same vein of questioning here.

General Dunford, anytime your friends in the Navy come to testify about their top priorities, we get a little stoplight chart based on different budget scenarios. No matter the budget scenario, the sea-based nuclear deterrent is always green. Most other things might be yellow or red. Can you tell us why that is?

General Dunford: That reflects the priority of the Department to provide an effective and safe nuclear deterrent, survivable nuclear deterrent, which is why that's green. It really does address the most important requirement that we have in the Department, which is to prevent a nuclear war against the United States.

Senator Cotton: Do you know what percentage of the Department's overall budget is spent on our nuclear deterrent -- not just sea-based, but all legs of the triad, as well as the infrastructure?

General Dunford: Senator, I don't know the percentage that we spend on that.

Senator Cotton: Secretary Carter, you look like you know.

Secretary Carter: It is, it's about $20 billion a year. It depends on what you include in that, but it's a
couple of tens of billions of dollars. It's not an enormous part of our budget, but it is a critical part of our budget.

Senator Cotton: That's a relatively small -- 4 or 5 percent.

Secretary Carter: It is. Now, that doesn't count the things that Senator King is talking about, the bills that will come in the future to keep it that way. But, you're -- just the -- what we're paying in this year for our nuclear deterrent is that.

Senator Cotton: And I ask because of the sizable bills coming due to modernize all legs of the triad, as well as the infrastructure. I sometimes hear people say, you know, why do we spend so much money on weapons we never use? And my response would be, first, we don't spend that much money on them, in the context of the defense budget. And, second, we use our nuclear weapons every single day.

There is a sea-based deterrence fund that was created last year, I believe, in anticipation of the large expense of the Ohio-class replacement submarine. Obviously, we also need to upgrade our bomber. That's why we have the B-21 program. And there are also land-based and infrastructure modernization that is needed. Rather than having merely a sea-based fund, should we perhaps have a nuclear deterrence fund?

Secretary Carter: I think that may make sense,
certainly for whatever we decide to do with respect to the ICBM force, both as -- regard missiles and their land basing. The B-21 bomber, also one could put in that category. I just want to emphasize, we want the B-21 bomber for the nuclear mission and non-nuclear mission. It'll be capable of both. And, like our current bomber force, we'll use it for both.

Senator Cotton: Why would you have a sea-based deterrence fund alone, and not a broader nuclear deterrence fund?

Secretary Carter: I'm agreeing with you that --

Senator Cotton: Okay.

Secretary Carter: -- I think a broader nuclear deterrent fund may be appropriate.

Senator Cotton: I mean, recognize that the B-21, like the B-2 and other aircraft, have dual capabilities, but the foundational capability across all of these systems is the nuclear deterrent. I'm not sure we should have any of these deterrent funds, but, if we do decide that we want to treat our nuclear triad in a special kind of way, then I think we should probably do all three legs of the triad.

Secretary Carter, I want to turn to the South China Sea. You said, 2 weeks ago, that, "China must not pursue militarization in the South China Sea. Specific actions will have specific consequences." What specific actions are
you referring to?

Secretary Carter: The specific actions of China are actions to press territorial claims, not through international legal mechanisms and peaceful mechanisms, but through militarization. That's what the Chinese have been doing in the South China Sea. They're not the only ones, but they're, by far and away, the largest militarizers of features in that region. And the kinds of actions we are taking are -- and I'll give you some examples of --

Senator Cotton: My next question would be, What are the specific consequences?

Secretary Carter: -- we can go through them more in another setting, but, just to give you some examples. In addition to our own force posture in the region, which, as you know, we've been strengthening for -- as part of the rebalance for several years -- we're doing some extra strengthening of that this year. It's detailed in our budget statement. Particularly has to do with increasing the lethality of our platforms out there and their technological capability. But, in addition, one of the other effects that China's behavior is having is, it is driving many of our partners and allies to want to do more with us, give us more access. We will have that in the Philippines. We're doing more with Vietnam, much more with Japan, Australia, India. And so, not only are we reacting,
but the countries in the region are reacting, too. And our relationships with them, accordingly, are blossoming. We're doing much, much more.

Senator Cotton: Yes. Obviously, our relationships are getting much stronger in northeast and southeast Asia because of China's actions. But, in the end, I think some kind of genuine action on our part is going to be necessary; otherwise, they will present us with a fait accompli in the South China Sea.

My time expired. Thank you all. Happy Saint Patrick's Day.

Secretary Carter: Same to you.

Senator Shaheen: Mr. Chairman, I'm going to defer to Senator Manchin, because he has to leave. So, I will give my slot. And if you will come back to me after the next turn, I appreciate that.

Chairman McCain: Senator Manchin.

Senator Manchin: Senator Shaheen, thank you so much.

And thank you all for your service, and thanks for being here.

And let me just say, either to Secretary Carter, General Dunford, or whatever, I'm concerned about the -- Russia's recently announced withdrawal from -- the military forces from Syria, saying that they've fulfilled their mission. Putin communicating with President Obama on the
Russian military force withdrawal and the next steps required to fully implement a cease-fire, with a goal of advancing political negotiations on a resolution of the conflict in Syria. Then I just have, on -- today, I see where the Syrian Kurds plan to declare a federal region in northern Syria territory. And I guess I would -- asking, Do you anticipate a change in the U.S. military-force role in Syria, based on Russia's military withdrawal? And also, is Russia claiming success? And has it strengthened their -- basically, their swagger, if you will, the political clout in that area?

Secretary Carter: Well, as I said before, Russia came in wrongheadedly, because they said they were going to fight ISIL, and they didn't. Instead --

Senator Manchin: Correct.

Secretary Carter: -- they supported Assad, which prolonged the civil war, fueled the civil war.

Senator Manchin: Correct.

Secretary Carter: So, their effect has been the opposite of what they stated, and certainly the opposite of what is needed. It hasn't had an effect on our prosecution, to get to your -- what we're doing in Syria, of our counter-ISIL campaign. It has had the effect, in my judgment, of prolonging the Syrian civil war.

Now, maybe Russia can do what it should do, which is
use its influence over the Assad regime to promote the
transition. And that's what Geneva's about. And, to get to
the question about the Kurds, that's exactly the kind of
thing that's being discussed in Geneva. But, the Russian
contribution has not been positive. And we're watching its
withdrawal. I don't know to -- how far that will go. But,
the Russian effect was not what they said it was going to
be, and it was, as I've said, wrongheaded.

Senator Manchin: But, I'm saying that, still, they're
-- the Kurds, the Syrian Kurds establishing an area, or
claiming an area, is not met with -- it's being met with
resistance from Assad and his regime, correct?

Secretary Carter: That is correct.

Senator Manchin: And you're thinking Russia can
negotiate that?

Secretary Carter: No, I don't know that Russia -- I --
we and others in the region, including the Turks, will have
a major role in Geneva about deciding the manner of
participation of the Kurds. And I'd -- so, Russia will play
a role in those talks, but we have an important role to
play, as well.

And I will say, with respect to the Syrian Kurds, that
they have proven to be excellent partners of ours on the
ground in fighting ISIL. So, we're grateful for that. We
intend to continue to do that, recognizing the complexities
of their role in the region overall.

Senator Manchin: General Dunford, your posture -- the statements -- describes five strategic challenges: Russia, China, North Korea, Iran, and the violent extremists, of course, of ISIS. And I guess I would ask, in your assessment, the greatest threat we're facing from that lineup.

General Dunford: Senator, first, I guess I'd say we don't have the luxury of racking and stacking. We have to address each of them in --

Senator Manchin: Right.

General Dunford: -- their own way. What I've said in the past in testimony, and I guess I would restate today, is, the one that has the greatest capability and poses the greatest threat to the United States is Russia, because of its capabilities -- its nuclear capability, its cyber capability, and clearly because of some of the things we've seen in its leadership's behavior over the last couple of years.

Senator Manchin: And what do you make of the kidnapping of the young student in North Korea?

General Dunford: You know, I've watched that over the last couple of days, and, you know, you can't help but feel for both him and the family, but I think it's just a reflection of the absolutely irresponsible leadership in
North Korea, and it exposes the regime. To those who may not have appreciated what the regime is — that behavior was certainly not a surprise to me, in terms of North Korean regime behavior, and I think that probably many other people who maybe weren't as attentive to it have now seen what North Korea is all about.

Senator Manchin: Why do we have Americans still traveling in that area? I mean, why would they even be in the country?

General Dunford: I -- you know, I -- Senator, that's --

Senator Manchin: That was a religious, I believe, was it not? A religious --

General Dunford: It was a religious group. And what I heard this morning is that we probably had some 15,000 people go over to North Korea as tourists over the last several years, and 13 of them have been apprehended. That was a statistic from the news. But, this is clearly not something that the Department of Defense is involved with, and I can assure you that we don't have members of the Department of Defense visiting North Korea.

Senator Manchin: Secretary Carter.

Secretary Carter: The only thing I want to add, if I could, because it's timely, in view of North Korea's threats about provocations, including missile launches, that we
stand alert with our missile defense forces, with our allies, the Japanese and the South Koreans. That's a daily task, all sorts of missile defenses as well as our deterrent forces on the DMZ and in South Korea.

I used the phrase "fight tonight," and that's their slogan. And, of course, nobody wants that to occur, but the way to make sure it doesn't occur is for us to be ready each and every night. And they're some of our most highly ready and capable forces.

Senator Manchin: Thank you all. My time is up.

Senator Reed [presiding]: On behalf of Chairman McCain, Senator Ernst, please.

Senator Ernst: Thank you, Senator Reed.

Thank you, gentlemen, for being here today.

Yesterday, I joined a bipartisan group of lawmakers to advocate for some incredible women who really do deserve to be honored. They are the Women Airforce Service Pilots, otherwise known as WASPs. And, Secretary, you know where I'm going with this. It is a travesty that these women, who are pioneers in military aviation, had the honor of having their ashes inurned at Arlington National Cemetery revoked last year during the same year that, historically, you opened up positions that had been previously closed in combat to women. So, I would like to see that addressed.

And the Pentagon should do the right thing and honor these
women by restoring their rights to have their ashes inurned at the National Cemetery. And it's my understanding that a waiver can be done for these women to do so. So, I would encourage you to do that. I'd like to see that action taken. They are part of America's Greatest Generation, as well.

So, Secretary Carter and General Dunford, I will submit a record -- or a question for the record, and would love to have a forthcoming response from you on this issue. It is something that we are very passionate about in making sure that women are honored, as well.

[The information referred to follows:]  

[COMMITTEE INSERT]
Senator Ernst: So, first, Secretary Carter, I do continue to remain concerned about the lack of capacity and capability provided to EUCOM in order for it to perform its critical mission of defending our Nation and our allies. And especially as we look at Russian aggression. And we've heard a number of members speak on that today.

General Breedlove has come before our committee multiple times stressing the need to enhance our capacity and capability for EUCOM to match the threat of both Russian aggression and transnational terrorism. So, specifically, one area which he raised -- this is a top concern of his, and I do share it -- it's the lack of support for force protection of our servicemembers, of DOD civilians, and their family members. Considering terrorists have displayed the capability to plan, stage, and execute attacks in western Europe and in recent bombings in Turkey, I would just urge you to take immediate action to increase our force protection capabilities in the EUCOM AOR.

So, with that, there is a request to quadruple funding for the European Reassurance Initiative in fiscal year '17. And, specifically, Secretary and General Dunford, how will you build capacity and capability to enhance our force protection in that area and EUCOM's warfighting functions to better counter Russia's aggressions as well as transnational terrorism?
Secretary Carter: Thank you, Senator.

First, I look forward to answering the question on the very first --

Senator Ernst: Thank you. I appreciate it.

Secretary Carter: -- issue. And thank you for that.

And, secondly, both the issues you raise with respect to Europe are serious ones that we're adjusting to, and I'll say how.

With respect to Russia and the potential for Russian aggression, outright aggression or the kind of Little Green Men hybrid warfare phenomenon that we saw, that's what -- why we're quadrupling the European Reassurance Initiative. And to what it pays for, it pays for the rotational presence of forces in Europe, including in border states -- states, that is, that border Russia. It provides for increased pre-positioning of heavy equipment there and also in Germany and elsewhere. It provides for doing more exercising and so forth with the Baltic states, with Poland, with Romania, and so forth, and for equipment sets there that our troops fall in on. So, the European Reassurance Initiative, which this year, you're right, we're asking $3.4 billion -- it's in our budget -- it's extremely important. Basically, we're adjusting to a fact that we haven't had to face for a quarter century, as I said in my statement, namely that we have a Russia that is threatening to -- western Europe, and
we need a new playbook that goes with that. I regret to say
that, but there it is. That's what the European Reassurance
Initiative is about.

Now, separately, you're right, in that this is
something that General Breedlove and I and General Dunford
watch very closely, is the protection of our people. That's
a paramount concern to us everywhere, is force protection.
Everywhere overseas, but Europe, also. And so, we watch
that very carefully, and we're making -- taking steps to
work with our host countries to increase the protection.
We're taking steps, ourselves, with our own people,
procedural and technical steps. We can go into them with
you in another setting. But, it's extremely important. Our
people are protecting us. We owe them protection, as well.

Let me ask the Chairman if he wants to add anything on
either of those.

General Dunford: The only thing -- the exercises,
Senator -- I mean, it's not only the capabilities we bring,
and, of course, it's posturing the forces. We pre-position
forces for responsiveness. It's the exercises to assure our
allies and partners on a day-to-day basis. But, a number of
those exercises are also designed to build the capacity of
our European partners, too, so that, collectively --

Senator Ernst: Military to military.

General Dunford: -- the 28 nations of NATO can be
prepared to deal with the Russian threat. And I would say
that, if we fully leveraged the political, the economic, and
the military capabilities of the 28 nations in NATO, it
wouldn't be a fair fight, which is exactly what we wouldn't
want it to be.

Senator Ernst: Exactly.

Thank you, gentlemen, very much.

Thank you, Mr. Chair.

Senator Reed: Thank you.

On behalf of the Chairman, let me recognize Senator
Shaheen.

Senator Shaheen: Thank you, Mr. Chairman.

And thank you all for your testimony today, and for
your service.

I want to follow up on Senator's questions about the
European Reassurance Initiative, because, as I'm sure you're
both aware, Europe is probably facing more challenges today
than it has at any time since the end of World War II. And
the European Reassurance Initiative is very important in
letting them know how committed we are to the peace and
security of Europe. And I was pleased to see that the
President's budget increased funding for the ERI. Can you
talk a little bit more about what the risks are if we don't
support additional funding for the Reassurance Initiative?
And also, tell me if you share General Breedlove's view that
-- I don't think I'm misquoting him, but, when he was before this committee, he talked about the need to put more of our troops in Europe.

Secretary Carter: Well, the effect of not funding the European Reassurance Initiative would be, physically, that we wouldn't have the funds to put equipment -- position equipment there. That's equipment that then forces could fall into in a crisis to reinforce the forces that -- it's always been our strategy in Europe, and it would be now, that the -- we would have forces there already, but we would fall in with a much greater force -- in fact, the full weight, the full might of the U.S. military behind NATO, in the event of a crisis. But, we need the equipment there, and we need our forces to be familiar with the terrain, which is why rotational training is so important. We need them to know how to work with their allies. We need -- how to -- them to be able to do all the logistics that allow a force to flow quickly. That's the kind of thing that General Breedlove needs to be able to exercise and prepare for. That's our approach, and we need the money in the ERI. That's physically what it does. Politically --

Senator Shaheen: And let me --

Secretary Carter: -- it's also important, because --

Senator Shaheen: Yes.

Secretary Carter: -- the reassurance is important.
The allies want to know that we're there with them and that we see what they see in the behavior of Russia. And we do. And we want to match our behavior to theirs. And their concern is growing, as well. We're asking them to do more at the same time we're doing more.

Senator Shaheen: I had a chance to visit some of the NATO exercises last summer in Latvia, and it was very impressive. And you could see that -- the synergy that existed because there were a number of countries coming together to work together and to work out the bugs of any future challenges we might face.

Let me switch topics, here, to the issue of energy. I had the opportunity, at the readiness hearing this week, to talk to the -- to ask all of the Vice Chiefs of each of the branches about the move towards more energy efficiency and alternative sources of energy within our military, and the perception that some people have that this is being done because people are being forced to do it, as opposed to because there's -- part of our military imperative to improve our strategic readiness, that we have other energy sources that we can count on so that we're not so dependent on fossil fuels, as we have been in the past. Can I ask you all if you can speak to that, why you think this is an important strategic move as we look at our national security?
Secretary Carter: Well, it is important to our overall national security. Energy security is. And we play a part in that. But, everything we do needs to make sense for defense as well as play a part in the overall national energy strategy. But -- so, things we do to increase the energy efficiency of engines, develop new engines, very important for our air forces, but also will have a consequence for the -- a good consequence for the economy, generally. We -- for -- spend money in order to save money on facilities, making them more energy efficient. We have a large existing base of buildings, installations, and so forth. We work on making them more energy efficient. We do that for the very reason that it frees up more money in the future that we can invest in real military capability. See, everything we do in the energy sphere has to make sense as a military investment. At the same time, these things are beneficial for the Nation's overall energy strategy. And we do try to align them with the Department of Energy and the overall strategy so that we're not doing something that somebody else is already doing, and that we're benefiting from what other people are doing, and they're benefiting from what we're doing. But, it has to make military sense for us.

Senator Shaheen: General Dunford, could you speak to the readiness benefit of our being able to take advantage of
some of these new technologies?

General Dunford: Senator, I could. You know, from my perspective, there's a couple of things about this. One is, if you save money in base operating expenses, that money is available for something else -- read readiness. And then there's also an operational flexibility aspect of this, as well. The less reliant you are on fuel, the more operationally flexible you are. And that is not only at the level of aircraft and ships and some of the bigger programs that we talk about a lot, but it's also -- if you just look at the load of an individual infantryman in batteries, as an example. So, some of the initiatives, we've had to lighten the load. If you look at the weight that our young men and women are carrying right now, it prohibits -- it's prohibitive. And so, we've spent a lot of time trying to reduce the load of the individual soldier, sailor, airmen, and marine. And one of the ways we've been able to do that is simply by renewable energy sources that reduces the weight that they carry in batteries, alone, which is one of the biggest things that an infantryman has to carry.

So, you know, again, I think, from a readiness perspective, you save money with fuel, you're able to reinvest that money. And then, from an operational flexibility perspective, again, both at the platform level and the individual servicemember level, there's a lot of
utility to that. But, as the Secretary says, it's got to make sense.

Senator Shaheen: Sure.

Thank you all.

Thank you, Mr. Chairman.

Senator Reed: On behalf of Chairman McCain, Senator Graham, please.

Senator Graham: Thank you.

Thank you all very much.

The Freedom Caucus, I think, in the House --

Do you want to go?

The Freedom Caucus in the House, I think, has taken a position that the House budget should go back to sequestration levels for this year. General Dunford, what would your response to that position be?

General Dunford: My immediate response, Senator, would be, we will have to revise the defense strategy if we go back to sequestration. We will not be able to do what we need to do right now. And when I say to revise the strategy, it's important to emphasize, we'll have to revise the ends of our strategy, because we will not be able to protect our interests in the same way that's articulated right now in our national security strategy and our defense strategy.

Senator Graham: What effect would that have on our
national security?

General Dunford: It would cause us to expose the Nation to risk from those five challenges that the Secretary and I have spoken about today.

Senator Graham: Would you say significant risk?

General Dunford: I would say significant risk.

Senator Graham: It would actually put our freedom at risk.

General Dunford: It would absolutely affect it.

Senator Graham: Okay. I sent you a letter, and you've given me a very timely response, and I appreciate it, General Dunford, about -- some have suggested that we intentionally target civilians in the war on terror, and that we go back to using waterboarding or maybe even more aggressive interrogation techniques. And you've given me a good response, which I'll share with the public later. But, I forgot to ask one question. What effect, if any, would this have on the warfighter if we started telling our men and women in uniform to intentionally target civilian noncombatants and engage in techniques such as waterboarding or more extreme forms of interrogation?

General Dunford: Well, Senator, what I've said publicly before is that, you know, our men and women -- and we ought to be proud of it -- when they go to war, they go to war with the values of our Nation. And those kind of
activities that you've described, they're inconsistent with
the values of our Nation. And, quite frankly, I think it
would have an adverse effect -- as many adverse effects it
would have, one of them would be on the morale of the force.

Senator Graham: Yeah.

General Dunford: And, frankly, they would -- you would
-- what you're suggesting are things that actually aren't
legal for them to do anyway.

Senator Graham: Well, I don't think I've ever met a
tougher guy than you, and I think it would hurt your morale
if you were ordered to kill innocents, noncombatants.

So, Raqqa. Do you see Raqqa falling this year, taken
away from ISIL?

General Dunford: Senator, we're focused right now on
isolating Raqqa, limiting the enemy's freedom of movement.
I can't put a timeline on when Raqqa will fall. I can tell
you that we're working very closely with indigenous forces
on the ground to isolate and then subsequently --

Senator Graham: Do you agree with me the likelihood of
Raqqa falling between now and the election is pretty remote?

General Dunford: Senator, again, I haven't put a
timeline on it.

Senator Graham: Okay. When it came to liberating
Fallujah, how many U.S. soldiers or military personnel were
involved?
General Dunford: Senator, we had 14,000 U.S. personnel that were involved immediately in the operations around Fallujah, but obviously many more in the surrounds that had a isolation effect.

Senator Graham: If they haven't been there, would the outcome have been different?

General Dunford: If the --

Senator Graham: If we were not using military -- American military personnel to deal with Fallujah.

General Dunford: Well, at that time, Senator, we did not have capable indigenous forces. There was not an alternative to U.S. forces in Fallujah.

Senator Graham: Compare the indigenous forces in Syria today with indigenous forces that existed at the battle of Fallujah. Are they more capable in Syria than they were in Iraq?

General Dunford: Today, the Syrian -- I would assess the Syrian Democratic Forces, based on their performance at Shaddadi and other recent operations, are more capable, relative to the threat that exists in Syria, than what we had in Iraq back in 2004 --

Senator Graham: Are they --


Senator Graham: -- more capable of taking Raqqa than the Iraqis were at taking Fallujah?

Senator Graham: Okay. How many Arabs are in the Syrian Democratic Forces?

General Dunford: Right now, we have about 10- to 15,000 Syrian Democratic Forces, of which 5,000 are Arabs, and there's an estimated 20- to 30,000 additional reserve Syrian Democratic Forces.

Senator Graham: Is it your testimony that the people we're training inside of Syria are capable of taking Raqqa back from ISIL and holding it?

General Dunford: At this time, Senator, no, but that we intend on growing their capabilities over time. And I would qualify that by saying that they're also going to require some support from the coalition.

Senator Graham: Okay.

Iran. Post-agreement, is Iran becoming a better actor in the region, or their behavior gotten worse, post-nuclear agreement?

General Dunford: Senator, Iran was a malign influence in the region prior to the agreement. Iran remains a malign influence today.

Senator Graham: Do you think Mosul will be in the hands of ISIL by the end of this year?

General Dunford: Senator, I don't -- similar to Raqqa, I wouldn't put a timeline on when we would secure Mosul.
But, again, I would emphasize that operations against Mosul are ongoing --

Senator Graham: Is taking going to be more difficult than what we had to do in Fallujah in 2004 and '05?

General Dunford: Significantly more difficult, based on the population and the size of the enemy.

Senator Graham: So, if you take Mosul without 14,000 American military members, does that make it even more significantly different?

General Dunford: Senator, it really is a correlation-of-forces issue. And right now, we've identified over 12 brigades of Iraqi Security Forces, additional Peshmerga forces, and we're in the process of generating effective Sunni forces. So, the idea is that we'll isolate Mosul until the conditions are set for those forces to be successful in securing Mosul.

Senator Graham: Finally, between 2016 and 2021, the next 5-year window, we've talked about what's happened since 2011 to now. Generally speaking, do our national security threats -- do they maintain at this level, go up, or go down? What can America expect in the next 5 years, in terms of threats? And what kind of budget should we have?

General Dunford: I think -- I would assess, based on the trajectory we see today, I don't see our security challenges decreasing over the next 5 years, Senator, for
Senator Graham: Agree with that, Mr. Secretary?
Secretary Carter: I do.
Senator Graham: Thank you.
Senator Reed: On behalf of Chairman McCain, Senator Nelson.
Senator Nelson: Mr. Secretary, would you give us your advice for that period of time, 2018 to 2022, of being able to put our payloads into space? And I'm mainly talking about DOD and intel payloads, in addition to NASA payloads and commercial payloads. Would you give us your advice on the question of whether or not we should continue to be able to have access to the RD-180 engine, which is the engine in the first stage of the Atlas V rocket?
Secretary Carter: I --
Senator Nelson: Until we develop the new one.
Secretary Carter: I can, Senator. And it is reflected in our budget. And I know that there are different points of view on how to approach this problem. I think everybody agrees we have to have assured access to space, so we have to have a way to launch our national security payloads into space. Our country's security depends on that. One way to do that, which is reflected in our budget, is to continue to use the Atlas booster, including a limited but continuing number of RD-180 engines, not withstanding
the fact that we don't like the fact that they're made in
Russia and we buy them from Russia. That's the approach we
recommend, because it is less expensive.

The alternative, which I understand, but we don't
recommend in this budget because it costs more, would be,
essentially, to use the Delta as a replacement, which is
more expensive than is required. If we're forced to do
that, it ends up giving us a bill of a billion dollars,
maybe more, which is not a bill we would like to pay. So,
it's that simple. We'll get to space. We have to, because
our security depends upon it. We are recommending to you a
less expensive way but which does, however, cause us to have
to hold our nose insofar as the procurement of the RD-180
game is concerned. And I recognize that there's a
difference of opinion there, but that's my advice.

Senator Nelson: Can -- in your opinion and what you've
been advised, can they ramp up the production of enough of
the Delta IVs to get all of your payloads into space, even
though it's going to cost more?

Secretary Carter: My understanding is that, yes, that
alternative is available -- technically available.
Obviously, it's much more expensive, which is the reason for
the -- not recommending it.

Senator Nelson: And it's more expensive also because
the RD-180 has to be used on the Atlas V for a number of the
NASA payloads, including the Americans on the new Boeing Starliner, which is the spacecraft that will take us to and from the International Space Station, along with what we expect the Falcon 9 and its spacecraft, Dragon, but also all of the commercial payloads. So, if you shut down part of that production until we get the new replacement engine and new replacement rocket -- because you just can't take a new engine and plug it into the Atlas V -- it's going to cost everybody more, including the commercial sector.

Secretary Carter: I can't speak for NASA or for them, but you're right, the Delta route is more expensive than the Atlas route. It is available. And the -- and we've made our recommendation. Where we'd like to go in the future, and where we're headed in the future, is a competitive provision of launchers -- that's really important, for both cost and quality reasons -- and to have two or more competitors from whom we buy launch services. I don't buy their -- the pieces of the rocket, or develop them. They do that, and they provide us launch services. That's an efficient and competitive way. That's the route we're going to. But, I realize that there is a difference of opinion about how we get to that destination. We've made our recommendation in our budget submission.

Senator Nelson: And, fortunately, that competition has started, because the Falcon 9, SpaceX, has been a very
viable competitor. And, in fact, that competition has brought the cost of the Atlas V down. And so, there's a good example of competition that, in fact, is working.

Let me just conclude by -- any comment on our aging nuclear triad and the need for the long-range strike capability.

Secretary Carter: Yes, just to reinforce that the nuclear deterrent of this country is -- it's not in the headlines every day, thank goodness, but it's not in the headlines because it's there, it's the bedrock of our -- it's a bedrock capability for our -- of our security. We need it for the indefinite future. We intend to have it for the indefinite future. And we're going to need to spend the money required to have that.

Of particular concern, I would single out the Ohio-class replacement submarine, just to take one example, but a big example, because the Trident submarines are going to age out. They're effective but old submarines. They'll be replaced by the Ohio-class replacement. That's a key survivable part of our nuclear deterrent. We have to have it.

You mentioned the bombers. That's one of the reasons why we're seeking to start, and have started, the long-range striker bomber, or B-21 bomber, program. And so, making sure that we have a safe, secure, and reliable nuclear
deterrent for the future is a bedrock responsibility of the Department. We'll need the funding to do that. We have plans to do that.

Senator Reed: On behalf of the Chairman, Senator Sullivan, please.

Senator Sullivan: Thank you, Mr. Chairman.

And thank you, gentlemen, for your service and your testimony here today.

I particularly appreciate both of you outlining the five strategic threats. I think that's very clear. I think the American people need to hear that. I think Senator Graham's comments about -- or his question about how you think those are going to continue is also very important testimony.

You know, those threats in the -- and how to counter them, include the aggression of Russia, which, as you know, Mr. Secretary, General Dunford, is not only Europe, but in the Arctic; the ability to "fight tonight" with regard to North Korea, as you mentioned; the ability to continually rebalance our Asia-Pacific force posture in light of our challenges there with China. And in light of those serious threats, you may have seen that General Milley recently decided to reverse the Army's earlier decision, made last year, to disband the 425, which, as you know, Mr. Secretary, is the only airborne BCT in the Asia-Pacific, the strategic
reserve that's very -- that would be very involved in any kind of conflict in Korea, the only Arctic BCT that's trained to fight in mountains and extreme cold weather. And I've raised this issue a number of times in the committee over the last year. Recently, several combatant commanders mentioned that they were supportive specifically of what General Milley is trying to do, just given how critical these forces are.

So, Mr. Secretary, do you support the Army's recommendation to more effectively posture its forces to best meet the national security threats that you outlined in your testimony, particularly as it relates to the 425 and what General Milley mentioned, I think, a couple of weeks ago?

Secretary Carter: Well, Senator, for -- thank you very much for your interest in this. I -- and I had the opportunity, which I appreciate, the other day to discuss this with you.

Senator Sullivan: Yes, sir.

Secretary Carter: And thank you for your leadership with respect to the overall rebalance and also for your State's hosting of forces that are so critical to so many scenarios of possible risk to the United States, as you already said.

With respect to 425, I looked into that after our
conversation. I've spoken to General Milley. If he makes
that recommendation to me, I want you to know I'm going to
approve that.

Senator Sullivan: Thank you.

Secretary Carter: And I think that that is an
important part of our force posture in the Pacific. And I
appreciate your calling my attention to it.

Senator Sullivan: Thank you. I appreciate that, as
well.

Let me get back to the rebalance issue that you
mentioned. You know, a lot of us met with you last year in
Shangri-la. I think was a -- as we -- you and I have talked
about, at the Defense Ministers meeting out there, an
important demonstration of U.S. legislative, executive
bipartisan support for that important strategy. And I think
a number of us are planning on going again, so I think doing
that again would be important to show a strong across-the-
board American resolve.

Secretary Carter: Thank you.

Senator Sullivan: With regard to the implementation of
the strategy that you laid out in your speech last year,
which I thought was a very strong speech, you know, we've
been asking -- a number of us have written the President,
have been encouraging -- make sure we do -- we implement
this policy on a routine basis -- now I'm talking about the
South China Sea and our FONOPS there -- not only on a routine basis with -- but also with allies. But, I'd like you to comment on -- and both you and General Dunford -- on the opportunities that what's going on out there presents to the United States, from a strategic perspective. And, more specifically, as you know, Mr. Secretary -- and you see it every time you go out to the region -- many, many countries, because of what China is actually doing in the South China Sea -- many countries are very much being more interested in working with us and drawing closer to the United States. Are there strategic opportunities that we should be looking at, in terms of possible new basing, new training opportunities with the Marines in the Asia-Pacific, clarifying strategic relationships -- I think there's a number of questions of what our strategic obligations are with regard to, say, a country like the Philippines, looking at the next challenges -- I know that there's some concern on this committee about the Scarborough Shoal -- but, what are the opportunities that we have? Because they seem to me -- yeah, we have challenges there, but there's also, I think, enormous strategic opportunities. Could you and General Dunford talk to those? Particularly, you know, the idea of new basing arrangements, the idea of new training arrangements. I think that there's a lot we could be doing, and I'd like to hear both of your views on that.
Secretary Carter: Well, you're absolutely right. And I'll start, and then I'll ask the Chairman to chime in, as well.

There are opportunities. They are presenting themselves because countries in the region recognize that their region has had peace and stability for 70 years, and that is what has given them all the opportunity to rise. All the Asian miracles, beginning with Japan, South Korea, Taiwan, Southeast Asia, today India and, yes, China -- all of that has occurred in an atmosphere of peace and stability, which they know we have played a pivotal part in. And so, there is a greater demand for partnership with us. Whether you talk about basing -- we are discussing with Philippines right now. And you may know that their court passed an important milestone recently, which allows -- will allow us to do much more with the Philippines. We're doing more -- and General Dunford had a key role in this -- with Australia, particularly our marine rotations in Australia. Vietnam -- who'd have thought, decades ago, Vietnam -- we're doing more with Vietnam. We thank you, because the -- we have the Maritime Security Initiative funding, which originated in discussions with you, Senator, and other members of the committee. We're grateful for that. We're using that funding. So -- and the Japanese, as you probably know, are -- have adjusted and amended their practices.
They're looking to do more with us -- joint patrolling, exercising, and so forth. India -- I'll be in India in a short while, continuing to strengthen our relationship with that -- an incredibly important country of a billion people and essential geography and a very capable military that wants to partner with us, as well.

So, we do all this in order to keep going the system that has brought prosperity to Asia. We're not seeking to have conflict with China. It's not against anybody. It's part of keeping that system of security intact. And we intend to do it. That's what the rebalance is about. But, the good news, as you say, is that it -- we're popular there. People --

Senator Sullivan: Yeah

Secretary Carter: -- want to work with us.

Let me turn it over to the Chairman.

General Dunford: Senator, I guess I'd emphasize what you and the Secretary have alluded to. I've made two trips to the region since I've been in my current assignment. And I would tell you that the desire for people to develop stronger bilateral relationships with the United States has probably never been greater. And, frankly, with our partners, particularly those with whom we have a treaty obligation, our relationship has probably haven't -- never been deeper.
But, when you talk about opportunities, the one thing that we haven't necessarily had in the past, a -- multilateral relationships and interoperability associated with conducting everything from humanitarian assistance operations to other operations that may be required in the region, or that multilateralism, in and of itself, serving as a deterrent to those who might want to be destabilizing in the region. So, there is an opportunity. And from those relationships then comes the one issue we haven't talked about in great detail, is opportunities for training.

Because --

Senator Sullivan: Right.

General Dunford: -- in the Pacific, you know, joint training is required to maintain readiness. And we're always looking for opportunities to identify training areas where we can maintain readiness even as we conduct the exercises and engagements with our partners. And I think the willingness of our partners to afford us the opportunity to train in their countries, continue to maintain proficiency with live fire, aviation capabilities, those kinds of things, I think will only increase in the future. And there's a number of places where we're in contact -- Secretary's staff is in contact with a number of countries to enhance our training opportunities and, as the Secretary spoke about, our actual basing opportunities in the region.
So, I would agree with you. I think a view of the common challenges in the Pacific has brought us together in a very positive way and has created all the opportunities you've alluded to.

Senator Sullivan: Great. Thank you.

Thank you, Mr. Chairman.

Senator Reed: Thank you very much.

On behalf of Chairman McCain, Senator Lee, please.

Senator Lee: Thank you, Mr. Chairman.

Thanks, to all of you, for being here.

Secretary Carter, on December 3rd, just a few months ago, you announced that the military branches would be opening all military occupational specialties, or MOSs, to servicemembers, regardless of gender, on the basis of various provisions in several iterations of the National Defense Authorization Act, on the basis of committee hearings and formal briefings with members and staff. At the time of your decision, you were certainly aware of Congress's interest in being closely consulted on the matter. Nevertheless, in your announcement and in subsequent briefings with Members of Congress, you failed to discuss the legal and practical implications this decision could have on the Selective Service in America. Would -- so, my concern is that it seems the Department may have made a policy decision and left up to Congress and the courts to
deal with the difficult legal ramifications.

So, I'd like to know, what assessments, Mr. Secretary, has the Department of Defense made to examine how opening all MOSs to female servicemembers will affect the Selective Service Act. And what assessments have you made to examine how requiring American women to register for the draft or, alternatively, ending the Selective Service altogether, would affect military readiness, recruitment, retention, and morale?

Secretary Carter: Well, thank you, Senator. Thank you for that question.

Let me just begin at the beginning. Why did we do this in the first place? The reason to open up all MOSs to females is to make sure that we're able to access what is, after all, 50 percent of the population --

Senator Lee: Right. And understand, I'm --

Secretary Carter: -- for force effectiveness --

Senator Lee: -- I'm not expressing concern about that --

Secretary Carter: Understand.

Senator Lee: -- on the merits of that when I'm talking about its implications for the Selective Service.

Secretary Carter: I do understand. So, that is the action we took. And as far as informing the Congress is concerned, we have the implementation plans for that,
including everything that is required by law in order for us to do what we need to do.

Separately is the Selective Service system, which is not administered by us and is governed by statute. So, you will have a voice in any implications for that. My own belief about that is twofold. First, it stands to reason that you'll reconsider the Selective Service system and its treatment of females, in view of the Department of Defense's policies and practices with respect to women as well as men.

But, the second thing I'd like to say about -- and -- about the Selective Service system and the draft, generally, is this. We want to pick our people. We don't want people forced to serve us, and we don't want all the people that are -- young people that are in our country. We pick very carefully. In fact, only about -- a little bit more than two-thirds of young Americans even meet our basic qualifications. Many of them are, I'm sad to say, obese or have other health issues. A third of them haven't graduated from high school, and we want high school graduates. About 10 percent of them have criminal records that make it impossible for us to want them. So, we don't want a draft. We don't want people chosen for us. We want to pick people. That's what the All-Volunteer Force is about. That's why the All-Volunteer Force is so excellent. And that's why we're constantly trying to make sure we keep up with labor
markets and generational trends and so forth, so that we continue to pick and have access to the very best people.

Look at the magnificent people we have now in uniform. I need to make sure that tomorrow and 10 years from now and 20 years from now, we're also able to attract the very best. But, now, and then, we want to pick. We don't have -- want to have people picked for us; we want to pick, ourselves.

Senator Lee: Right. Thank you. And I appreciate that. And I appreciate the sentiment that I think I understand you expressing, which is that any change to the universe of persons subject to the Selective Service registration requirement needs to be made by Congress, with input from the American people, rather than administratively or by the courts.

Secretary Carter: It's set in law.

Senator Lee: In the -- in a long-ranging interview published with The Atlantic, President Obama has expressed his disdain for security freeriders when it comes to allies in Europe and parts of the Middle East. However, your FY17 budget calls for a quadrupling of the European Reassurance Initiative, and robust OCO funding for activities in the Middle East. So, how do you, and how does the administration, how does President Obama, reconcile the concerns that President Obama has expressed about some of our allies who are not taking steps to increase their
defense spending or who are potentially abusing their relationship with us, their alliance with us, for their own benefit without making corresponding increases to their investment in defense spending?

Secretary Carter: Well, I'll just say, as Secretary of Defense, I think America needs to lead. And I'm happy to have us lead. And we have, by far and away, more capability than anybody else. But, we need others to join us and get in the game. You mentioned Europe. We have been urging, very insistently, Europeans to spend more on their own defense. Some are doing what they're supposed to do. I'd, for example, commend the United Kingdom, which has recently increased its percentage of GDP and has agreed to stay at what all the NATO countries agreed, which is a minimum of 2 percent. And they're not all there yet. And then, as you go around the world with respect to others, allies in the Gulf and so forth, we are looking for people to join us. There, the counter-ISIL coalition, the effort to deter Iranian aggression, that's something we need our security partners to do with us. So, we're prepared to lead. We're willing to lead. But, I think it's fair to turn to our partners and say, "We need you to join us."

Now, my role in that is very specifically -- and the Chairman's, as well -- to describe for our -- let's take the counter-ISIL coalition -- what it is we need. So, "Here's
what we need. We need some more ISR help from you. We need
some Special Forces from you. We need" -- and this is
important -- "reconstruction funding for places like Ramadi.
So, if you don't have any forces, or you don't want to put
your forces there, you can open your wallet. That's
needed." And so, we try to give them choices for how they
can make a contribution, and lead them in that direction.
But, we need people to follow.

And so, I -- it's an important part of my job -- and I
know the Chairman does this well -- to talk to our
counterparts and say, "We need everybody in the game if
we're going to have a peaceful world. We share this world
together. We share this future together. You've got to get
in the game."

Let me ask the Chairman if he wants to --

General Dunford: No, I'd just emphasize what the
Secretary said. I think a key part of our responsibility is
on a day-to-day basis. And I recently went to the region
and met with 30 of the chiefs of defense from our coalition
partners to encourage their participation. But, one of the
things we do very hard is work on where they can make a
contribution, and then encourage them to actually do that.
I mean, I'd -- that's an ongoing process. We're -- are we
satisfied with where we are? Never.

Senator Lee: Thank you, General Dunford. And thank
you, Secretary Carter.

Senator Reed: Thank you.

Gentlemen, thank you for your testimony. And thank you for your service.

And, on behalf of Chairman McCain, let me declare the hearing adjourned.

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