SECRETARY OF DEFENSE CHUCK HAGEL SUBMITTED STATEMENT ON THE FY 2014 BUDGET REQUEST FOR THE DEPARTMENT OF DEFENSE SENATE BUDGET COMMITTEE WEDNESDAY, JUNE 12, 2013

Chairman Murray, Ranking Member Sessions, members of the committee, thank you for this opportunity to discuss the President's Fiscal Year 2014 budget request for the Department of Defense.

Allow me to express my appreciation to this committee for its continued support of our men and women in uniform and our civilian workforce. They are doing tremendous work and making great sacrifices, along with their families, as they have for the more than 11 years our nation has been at war. Whether fighting in Afghanistan, patrolling the world's sea lanes, standing vigilant on the Korean peninsula, supplying our troops around the world, or supporting civil authorities when natural disasters strike, they are advancing America's interests at home and abroad. Their dedication and professionalism are the foundation of our military strength.

As we discuss numbers, budgets, and strategic priorities, we will not lose sight of these men and women serving across the globe. As you all know, their well-being depends on the decisions we make here in Washington.

Fiscal and Strategic Context

Today, the Department of Defense faces the significant challenge of conducting long-term planning and budgeting at a time of considerable uncertainty – both in terms of the security challenges we face around the world and the levels of defense spending we can expect here at home.

Even as the military emerges – and recovers – from more than a decade of sustained conflict in Iraq and Afghanistan, it confronts an array of complex threats of varying vintage and degrees of risk to the United States, to include:

- the persistence of violent extremism throughout weak states and ungoverned spaces in the Middle East and North Africa;
- the proliferation of dangerous weapons and materials;
- the rise of new powers competing for influence;
- the risk of regional conflicts which could draw in the United States;
- faceless, nameless, silent and destructive cyberattacks.

Meanwhile, the frenetic pace of technological change and the spread of advanced military technology to state and non-state actors pose an increasing challenge to America's military.

This is the strategic environment facing the Department of Defense as it enters a third year of flat or declining budgets. The onset of these resource constraints has already led to significant and ongoing belt-tightening in military modernization, force structure, personnel costs, and overhead expenditures. It has also given us an opportunity to reshape the military and reform defense institutions to better reflect 21st century realities, as I outlined in a speech in April at the National Defense University.

The process began under the leadership of Secretary Gates, who canceled or curtailed more than 30 modernization programs and trimmed overhead costs within the military services and across the defense enterprise. These efforts reduced the Department's topline by $78 billion over a five year period, as detailed in the Department's FY 2012 budget plan.

The realignment continued under Secretary Panetta, who worked closely with the President and the Joint Chiefs of Staff to craft new defense strategic guidance and a FY 2013 defense budget plan which reduced the Department's topline by $487 billion over the course of a decade. Even while restructuring the force to become smaller and leaner and once again targeting overhead savings, this budget made important investments in the new strategy – including rebalancing to Asia and increasing funding for critical capabilities such as cyber, special operations, global mobility, and unmanned systems.

The President's request of $526.6 billion for the Department of Defense's base budget for FY 2014 continues to implement the President's Defense Strategic Guidance and enhances the Department's efforts at institutional reform. Most critically, it sustains the quality of the all-volunteer force and the care we provide our service members and their families, which underpins everything we do as an organization. The accompanying OCO request for $79.4 billion provides the resources to continue the responsible drawdown in Afghanistan and restore equipment damaged or worn out by more than a decade of war.

DoD's base-budget request for FY 2014 does not reflect the effects of sequester cuts that would occur if the Budget Control Act (BCA) is not changed. However, the President's Budget includes balanced deficit reduction proposals that are more than sufficient to allow Congress to meet BCA goals and then repeal sequester-related reductions.

Challenges in FY 2013

Before discussing the particulars of this budget request, however, allow me to address the profound budget problems facing the Department in FY 2013 and beyond as a result of sequester – because they have significantly disrupted operations for the current fiscal year and greatly complicated efforts to plan for the future. The Congress and the Department of Defense have a responsibility to find answers to these problems together – because we have a shared responsibility to protect our national security. DoD is going to need the help of Congress to manage through this uncertainty.

The FY 2013 DoD Appropriations bill enacted by the Congress in March addressed many urgent problems by allocating DoD funding more closely in line with the President's budget request, giving the Department authorities to start new programs, and allowing us to proceed with important military construction projects. Nonetheless, the bill still left in place the deep and abrupt cuts associated with sequester – some $37 billion in spending reductions. With military pay and benefits exempt from the sequester, and our internal decision to shift the impact of sequestration away from those serving in harm's way, the cuts fall heavily on DoD's operations, maintenance and modernization accounts that we use to train and equip those who will deploy in the future.

Furthermore, the military is experiencing higher wartime operating tempos, and higher transportation costs than expected when the budget request was formulated more than a year ago. As a result of all these factors, the Department is now facing a shortfall of more than $30 billion in our operation and maintenance (O&M) budget for FY 2013.

The Department has been doing everything possible to reduce this shortfall while ensuring we can defend the nation, sustain wartime operations, and preserve DoD's most critical asset – our world-class civilian and military personnel. To that end, we have cut back sharply on facilities maintenance, instituted a hiring freeze, cut overhead and all non-essential spending, reduced many other important but lower-priority programs, and worked to shift funds from investment to O&M accounts.

Still, these steps have not been enough to close the shortfall. While we have protected spending to sustain the war effort and defend America's vital strategic interests, the Department's day-to-day activities will be significantly disrupted for the remainder of the fiscal year. Each of the military services has begun to significantly reduce training and maintenance of non-deployed operating forces – steps that are having effects on military readiness.

Specifically:

- The Army has stopped rotations at its key combat training centers for all but deploying units. By the end of the year, this and other training cutbacks will leave most non-deployed Army units at unacceptable readiness levels.
- The Air Force has or will soon stop all flying at more than a dozen combat coded squadrons. These units will soon no longer be ready to fight on short notice.
- The Navy has curtailed deployments, including the decision not to send a second carrier strike group to the Gulf.

We have also recently submitted a $9.6 billion reprogramming request to Congress. Most of this reprogramming seeks permission to move unneeded military personnel funding, and non-executable or lower priority investment funding, into our O&M accounts that are experiencing the largest budget shortfalls.

To avoid even more significant reductions to military readiness, and after extensive review of all options with the DoD's senior military and civilian leadership on how we address this budget crisis, I have decided to direct furloughs of up to 11 days for nearly 700,000 of the Department's civilian personnel. I have made this decision very reluctantly, because I know that the furloughs will adversely impact DoD operations. I also recognize the significant hardship this places on our civilian personnel across the country and their families. But the current budget is requiring difficult decisions and options.

After required notifications, we will begin the furlough period on July 8 at the rate of one furlough day per week for most personnel. We plan to continue these furloughs through the end of the current fiscal year. If our budgetary situation permits us to end furloughs early, I would strongly prefer to do so. That is a decision I will make later in the year.

FY 2014 Budget Request

Let me turn now to FY 2014. If the sequester-related provisions of the Budget Control Act of 2011 are not changed, FY 2014 funding for national defense programs will be subject to a steeply reduced cap, which would cut DoD funding by roughly $52 billion further. And, if there is no action by the Congress, roughly $500 billion in reductions to defense spending would be required over the next ten years covered by the BCA.

As an alternative, the President's budget proposes some $150 billion in additional defense savings (measured in terms of budget authority) over the next decade when compared with the budget plan submitted last year. These cuts are part of a balanced package of deficit reduction. Unlike sequester, these cuts

largely occur in the years beyond FY 2018 – which gives the Department time to plan and implement the reductions wisely, and responsibly, anchored by the President's defense strategic guidance.

The President's FY 2014 request reflects these changes. It continues to balance the compelling demands of supporting troops still at war in Afghanistan, protecting readiness, modernizing the military's aging weapons inventory in keeping with the president's strategic guidance, and sustaining the quality of the all-volunteer force.

The requested funding of $79.4 billion for FY 2014 OCO provides funds to continue the responsible drawdown in Afghanistan and is lower than the roughly $89 billion enacted for FY 2013. The top-line budget request of $526.6 billion for base-budget funding FY 2014 is essentially flat compared to the President's request for FY 2013, and roughly in line with what both the House and Senate have passed in their FY 2014 budget resolutions.

The following are the major components of the $526.6 billion base budget request for FY 2014:

- Military pay and benefits (including TRICARE and retirement costs) – $170.2 billion (32% of the total base budget);
- Operating costs (including $77.3 billion for civilian pay) – $180.1 billion (34%);
- Acquisitions and other investments (Procurement, research, development, test and evaluation, and new facilities construction) – $176.3 billion (33%)

The base budget presented today, at its most basic level, consists of a series of choices that reinforce each of the following complementary goals:

- making more disciplined use of defense resources;
- implementing the President's defense strategic guidance;
- seeking to sustain the readiness and quality of the all-volunteer force;
- supporting troops deployed and fighting in Afghanistan.

As I discuss each of these goals, I must note that, unfortunately, many of the reductions we are being forced to make in FY 2013 as a result of sequester run directly counter to the FY 2014 goals.

1. Making more disciplined use of defense resources

In developing the FY 2014 budget, the Department identified about $34 billion in savings over the current Future Years Defense Program (FYDP), which covers FY 2014 to FY 2018. These savings were used to help pay the costs of implementing the new defense strategy and to accommodate budget reductions.

These efforts continue the Department's approach of the last several years to first target growing costs in areas of support, overhead, acquisition, and pay and benefits, before cutting military capabilities and force structure.

Reducing Support Costs

In order to maintain balance and readiness, the Department of Defense must be able to eliminate excess infrastructure. Therefore, the President's FY 2014 budget requests authorization for one round of Base Realignment and Closure (BRAC) in 2015. While the commission would meet in 2015, the actual closing of any bases would involve a multiyear process that would not begin until 2016.

BRAC is a comprehensive and fair tool that allows communities a role in re-use decisions for the property and provides redevelopment assistance. BRAC is an imperfect process, and there are up-front costs for BRAC, and this FYDP adds $2.4 billion to pay them, but in the long-term there are significant savings. The previous five rounds of BRAC are now saving a total of $12 billion annually.

We cannot justify funding unnecessary infrastructure when we are reducing force structure. Since 2003, DoD has divested more than 100 foreign bases and operations and we are on schedule to close or consolidate over 20 more overseas operations.

We are also taking other important steps to cut back on support costs. We have begun a study of our Military Treatment Facilities, including many hospitals and clinics that are currently underutilized. By the end of this year we will have a plan in place that suggests how to reduce that underutilization while still providing high-quality medical care. This restructuring, coupled with a BRAC round and other changes, would permit us to plan on a cut in our civilian workforce that will comply with Congressional direction.

We are also continuing our successful efforts to hold down military health system costs. Due primarily to changes in payments to health care providers, our projected costs for FY 2014 are about four percent lower than those costs in FY 2012, a significant turnaround compared to health care trends over the past decade. But costs will soon start to grow again. Therefore, we continue efforts to slow the growth of medical care costs through actions such as re-phasing military construction, making full use of past changes in provider costs, taking advantage of

the slowing of growth in medical costs in the private sector, and modest changes in user fees and co-pays.

Another important initiative is our effort to improve the Department's financial management and achieve auditable financial statements. We need auditable statements, both to improve the quality of our financial information and to reassure the public, and the Congress, that we are good stewards of public funds. We have a focused plan and are making progress. Our next goal is audit-ready budget statements by September 2014. We are working hard to achieve this goal, though the current budget turmoil is hampering our efforts significantly. I strongly support this initiative and will do everything I can to fulfill this commitment.

These and many other changes led to total savings of about $34 billion in FY 2014-2018, including $5.5 billion in FY 2014. However, we are concerned that these savings from more disciplined use of resources could be eroded by sequester, as we are forced to make inefficient choices that drive up costs. Today, for example, we are being forced to engage in shorter and less efficient contracts and cuts in unit buy sizes that will increase the unit costs of weapons.

Restructuring and Terminations of Weapons Programs

In this budget, the Department has shifted priorities within its modernization portfolios and achieved $8.2 billion in savings from weapons program terminations and restructuring. For example, by revising the acquisition strategy for the Army's Ground Combat Vehicle (GCV) program, the Department will save over $2 billion in development costs. In other cases the Department proposes evolutionary approaches to develop new capabilities instead of relying on leap-ahead gains in technology.

For example, the Department:

- Realigned investment funding and restructured the SM-3 IIB interceptor – a high-risk, high-cost system – to improve the capabilities of existing missile defense systems, resulting in savings of about $2.1 billion during the Future Year Defense Program (FYDP);
- Cancelled the Precision Tracking Space Satellite system – another high-risk project – saving $1.9 billion during the FYDP; the Department invested a portion of these savings in technology upgrades to existing ground-based radars and sensors.

To lessen the potential impact on local communities from the reductions in defense procurement, the Department is requesting an additional $36 million in support of the Defense Industry Adjustment program.

The Department is continuing to take steps to tighten the contract terms and reduce risk in our largest acquisition program, the F-35 Joint Strike Fighter. The FY 2014 budget request includes $8.4 billion for the Joint Strike Fighter.

Military Pay and Benefits

The costs of military pay and benefits are another significant driver of spending growth that must be addressed in the current fiscal environment. In this budget, the Department is submitting a new package of military compensation proposals that take into consideration Congressional concerns associated with those from FY 2013. These changes save about $1.4 billion in FY 2014 and a total of $12.8 billion in FY 2014-2018

This package includes a modest slowing of the growth of military pay by implementing a one percent pay raise for service members in 2014. The Department is also seeking additional changes to the TRICARE program in the FY 2014 budget to bring the beneficiary's cost share closer to the levels envisioned when the program was implemented – particularly for working age retirees. Today military retirees contribute less than 11 percent of their total health care costs, compared to an average of 27 percent when TRICARE was first fully implemented in 1996.

The proposed TRICARE changes include:

- For retirees, increases in TRICARE Prime enrollment fees, instituting an enrollment fee for TRICARE Standard/Extra, and increasing Standard/Extra deductibles.
- Implementation of an enrollment fee for new TRICARE-for-Life beneficiaries, while grandfathering in those who are Medicare-eligible at enactment.
- Increases in pharmacy co-pays and, where appropriate, mandatory use of mail order delivery of pharmaceuticals.
- Indexing of fees, deductibles, co-pays and the catastrophic cap to the growth in the annual retiree cost-of-living adjustment.

Survivors of military members who died on active duty or medically retired members would be excluded from all TRICARE increases. Even after the proposed changes in fees, TRICARE will remain a generous benefit – as it should be.

These adjustments to pay and benefits were among the most carefully considered and difficult choices in the budget. They were made with the strong support of the Joint Chiefs of Staff and Senior Enlisted Leadership, in recognition that in order to sustain these benefits over the long term without dramatically

reducing the size or readiness of the force, these rising costs need to be brought under control.

2. Implementing and deepening our commitment to the President's defense strategic guidance

Spending reductions on the scale of the current drawdown cannot be implemented through improving efficiency and reducing overhead alone. Cuts and changes to capabilities – force structure and modernization programs – will also be required. The strategic guidance issued in January 2012 set the priorities and parameters that informed those choices, and the FY 2014 budget submission further implements and deepens program alignment to this strategic guidance.

The new strategy calls for a smaller and leaner force. Last year we proposed reductions of about 100,000 in military end strength between FY 2012 and FY 2017. Most of those reductions occur in the ground forces and are consistent with a decision not to size U.S. ground forces to accomplish prolonged stability operations, while maintaining adequate capability should such activities again be required. By the end of FY 2014 we will have completed almost two thirds of the drawdown of our ground forces, and the drawdown should be fully complete by FY 2017.

Last year DoD submitted proposals for changes in Air Force and Navy force structure; some were rejected by Congress. We continue to believe, however, that these reductions are consistent with our defense strategy and the need to hold down costs. Therefore, DoD is resubmitting several proposals from its FY 2013 budget submission that were not supported by Congress, including the retirement of seven Aegis cruisers and two amphibious ships at the end of FY 2014 when funds appropriated for their operation run out. Despite the growing importance of the Asia-Pacific – a mostly maritime theater – the high costs of maintaining these older ships relative to their capabilities argues strongly for their retirement.

The FY 2014 budget continues implementation of the Air Force total force proposal included in the FY 2013 National Defense Authorization Act. In response to state and congressional concerns about proposed reductions to the Air National Guard that DoD made in the original FY 2013 budget, the Department added back 44 aircraft to the Guard, 30 aircraft to the Air Force Reserve, and is taking away 31 aircraft from the active Air Force.

These shifts were forced primarily by political realities, not strategy or analysis. While this active-reserve compromise allows the Air Force to move forward with prior year retirements and transfers, and approved mission changes for many reserve units, it does require the Department to retain excess aircraft capacity. The Department's position continues to be that retaining excess air

capacity in the reserve component is an unnecessary expenditure of government funds that detracts from more pressing military priorities outlined in the defense strategic guidance.

Increased emphasis on the Asia-Pacific and Middle East represents another key tenet of the new defense strategic guidance. This budget continues to put a premium on rapidly deployable, self-sustaining forces – such as submarines, long-range bombers, and carrier strike groups – that can project power over great distance and carry out a variety of missions.

This new strategy not only recognizes the changing character of the conflicts in which the U.S. must prevail, but also leverages new concepts of operation enabled by advances in space, cyberspace, special operations, global mobility, precision-strike, missile defense, and other capabilities.

3. Seeking to sustain the readiness and quality of the all-volunteer force

The high-quality of our all-volunteer force continues to be the foundation of our military strength. This budget seeks to ensure that our troops receive the training and equipment they need for military readiness, and the world-class support programs they and their families have earned. However, as in other areas of the budget, the steep and abrupt cuts caused by the FY 2013 sequester has harmed these programs. The remainder of this discussion outlines the goals of the FY 2014 budget, but they would be significantly impacted if sequester-level cuts persist.

Readiness Investments

Even in the face of flat and declining defense toplines, this budget seeks to press ahead with the transition from a counterinsurgency-focused force to a force ready and capable of operating across a full range of operations across the globe. The service budgets all fund initiatives that seek to return to full-spectrum training and preparation for missions beyond current operations in Afghanistan.

The Department continues its work to understand and quantify readiness activities as we seek to maximize our preparedness for real-world missions. We do not yet know the costs of fixing the readiness of the force following the six months of sequester cuts to training in this fiscal year. Therefore these costs are not included in the FY 2014 budget.

Family Support Programs

The Department's budget submission makes clear that people are central to everything we do. While sequester cuts would unfortunately counter many of

these initiatives, especially for our civilian workforce, the initiatives remain important statements of the intent in this budget.

The Department continues to support key programs in FY 2014 that support service members and their families, spending $8.5 billion on initiatives that include:

- Transition Assistance and Veteran's Employment Assurance – the Department continues to support the Transition Assistance Program (TAP) to ensure every service member receives training, education, and credentials needed to successfully transition to the civilian workforce.
- Family Readiness – the Department continues to ensure that family support is a high priority by redesigning and boosting family support in a number of ways.

The Department is also providing support to our people with a number of other important initiatives, including:

- Behavioral Health – the Department maintains funding for psychological health programs and expands those programs that are most effective, such as Embedded Behavioral Health, to provide improved access to care, improved continuity of care, and enhanced behavioral health provider communication.
- Suicide Prevention – the Department continues to implement recommendations from the Suicide Prevention Task Force and act on other findings from think tanks, the National Action Alliance's National Suicide Prevention Strategy, and DoD and Department of Veteran's Affairs (VA) Integrated Mental Health Strategy (IMHS).

Another area of focus has been Sexual Assault Prevention and Response. I have no tolerance for sexual assault in the military. This is a terrible scourge in our military and it must end. It will end. We will fix it. I have directed a number of initiatives to advance DoD's efforts to prevent and respond to the crime of sexual assault, along five lines of effort:

Accountability

- I directed DoD's Acting General Counsel to propose to the Congress changes to Article 60 of the Uniform Code of Military Justice (UCMJ) that would eliminate the ability of a convening authority to change findings in courts-martial, except for certain minor offenses. These changes would also

require the convening authority to explain in writing any changes made to court-martial sentences, as well as any changes to findings involving minor offenses. These changes, if enacted, would help ensure that our military justice system works fairly, ensures due process, and is accountable.

- I have also directed the Service Chiefs to develop methods to evaluate military commanders' performance in establishing command climates of dignity and respect and in incorporating sexual assault prevention and victim care principles in their commands. This includes providing commanders the results of their subordinate's annual command climate surveys in order to enhance accountability and improve insight in command climate at every level of the chain of command.
- I have named a set of highly respected and experienced experts to serve on a panel called for in the National Defense Authorization Act for FY 2013. The panel will conduct an independent review and assessment of DOD's systems used to investigate, prosecute and adjudicate crimes involving adult sexual assault and related offenses. It will convene its first meeting no later than July 1st. I have spoken to the panel and asked it to accelerate its work and provide a final recommendation within 12 months.

Prevention

- I have directed the complete and thorough review of credentials and qualifications for DoD's sexual assault victim advocates, coordinators, and recruiters.
- I have directed DoD to improve the effectiveness of Sexual Assault Prevention and Response (SAPR) programs in recruiting organizations.
- I have directed DoD component heads to direct comprehensive and regular visual inspections of all DoD workplaces to include military academies to ensure that our facilities promote an environment of dignity and respect for all members and are free from materials that create a degrading or offensive work environment.

Investigation

- Consistent with the FY 2012 and FY 2013 National Defense Authorization Acts, DoD has established new policies to retain restricted and unrestricted reports for 50 years, and is developing policy for Special Victim Capability, which includes standards and training for prosecutors and investigators.

Advocacy

- DoD has implemented a sexual assault crisis intervention line, the DoD Safe Helpline, to give victims 24/7 global access to crisis support staff, implemented an expedited transfer policy for victims requesting transfer to a new unit, and expanded emergency care and services to DoD civilians stationed abroad.
- I have directed the Service Secretaries to implement methods to improve victim treatment by their peers, coworkers, and chains of command. Direct victim input will also be incorporated into these methods.

Assessment

- DoD has added sexual assault questions to DoD Command Climate Surveys and implemented policy to conduct assessments within 120 days for new commanders and annually thereafter, consistent with the FY 13 NDAA.
- I have begun holding a weekly review and progress meeting on DoD's various sexual assault directives to ensure that they are bringing about real change.

I receive weekly updates on the Department's prevention efforts in regularly scheduled weekly meetings. I also have an individual on my personal staff that I have tasked to oversee all of these directives and Department-wide efforts.

Everyone in this department at every level of command will continue to work together every day to establish an environment of dignity and respect, where sexual assault is not tolerated, condoned or ignored, where there is clear accountability placed on all leaders at every level. The leadership of this department has no higher priority than the safety and welfare of our men and women in uniform, and that includes ensuring they are free from the threat of sexual harassment and sexual assault. I will continue as Secretary of Defense to prioritize the Department's efforts to turn this problem around.

4. Supporting troops deployed and fighting overseas

The amendment to the FY 2014 President's budget includes $79.4 billion for Overseas Contingency Operations (OCO). Military operations in Afghanistan comprise a significant portion of the OCO request. Over the course of the year, American forces in Afghanistan are moving into a support role as Afghan forces take the lead. By February 2014, half of our troops there will have returned home, and by December 2014, United States' combat operations in Afghanistan will have ended. Still, the United States will maintain a commitment to Afghanistan's

sovereignty and security, and we will continue to equip, train, advise, and assist the Afghan National Forces; support economic development and governance efforts; and pursue al Qaeda and its affiliated groups.

Of the total OCO request, $78.1 billion is for activities in support of Operation Enduring Freedom (OEF) and $1.3 billion is for finalizing transition activities in Iraq.

The Way Ahead: Strategic Choices and Management Review

The FY 2014 budget is a reflection of DoD's best efforts to match ends, ways, and means during a period of intense fiscal uncertainty. It is a balanced plan that would address some of the Department's structural costs and internal budget imbalances while implementing the President's defense strategic guidance and keeping faith with our men and women in uniform and their families.

It is obvious that significant changes to the Department's top-line spending would require changes to this budget plan. The Department must be prepared for any additional reductions to the defense budget that might result from Congress and the Administration agreeing on a deficit reduction plan, and it must be prepared in the event that sequester-level cuts persist for another year or over the long-term.

Consequently, earlier this year I directed a Strategic Choices and Management Review (SCMR) in order to assess the potential impact of further reductions up to the level of full sequester. The purpose of the SCMR is to re-assess the basic assumptions that drive the Department's investment and force structure decisions and to search for additional management efficiencies.

It is designed to help understand the challenges, articulate the risks, and look for opportunities for reform and efficiencies presented by resource constraints. Everything is on the table during this review – roles and missions, planning, business practices, force structure, personnel and compensation, acquisition and modernization investments, how we operate, and how we measure and maintain readiness.

I have received the initial internal results of the SCMR and am reviewing them now. The results will inform our planning for FY 2014 as well as our FY 2015 budget request, and will they be the foundation for the Quadrennial Defense Review due to Congress in February 2014.

It is already clear to me that achieving significant additional budget savings without unacceptable risk to national security will require not just tweaking or chipping away at existing structures and practices but, if necessary, fashioning entirely new ones that better reflect 21st century realities. And that will require the partnership of Congress.

The FY 2014 budget and the ones before it have made hard choices. In many cases, modest reforms to personnel and benefits, along with efforts to reduce infrastructure and restructure acquisition programs, met fierce political resistance and were not implemented.

We are now in a different fiscal environment dealing with new realities that will force us to more fully confront these tough and painful choices, and to make the reforms we need to put this Department on a path to sustain our military strength for the 21st century. But in order to do that we will need flexibility, time, and some budget certainty.

We will also need to fund the military capabilities that are necessary for the complex security threats of the 21st century. I believe the President's budget does that. With the partnership of Congress, the Defense Department can continue to find new ways to operate more affordably, efficiently, and effectively. However, multiple reviews and analyses show that additional major cuts – especially those on the scale and timeline of sequestration – would require dramatic reductions in core military capabilities or the scope of our activities around the world.

As the executive and legislative branches of government, we have a shared responsibility to ensure that we protect national security and America's strategic interests. Doing so requires that we make every decision on the basis of enduring national interests and make sure every policy is worthy of the service and sacrifice of our service members and their families.

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