

February 16, 2012

"This morning, the Subcommittee welcomes the Honorable Leon Panetta, Secretary of Defense, and General Marin E. Dempsey, United States Army, Chairman of the Joint Chiefs of Staff.

"We extend our sincere thanks to you both for your many years of service and dedication to our nation.

"This hearing takes place at a time when we have to make many difficult choices given the fiscal environment that confronts us. Mr. Secretary, as you've discussed many times, the Budget Control Act required the Department to identify \$487 billion in savings over the coming decade. We recognize that, overall, this budget declines by nearly \$30 billion including base and Overseas Contingency Operations funding compared to fiscal year 2012. We also recognize that this budget is a result of strategic review and threat assessment; it is not simply an effort to meet targets set in the BCA.

"To achieve these savings, you've adjusted programs across the budget. We understand that this budget builds on \$150 billion in operational efficiencies identified over FY 2012 through 2016, and includes another \$60 billion over five years beginning in FY 2013. The budget reduces many modernization programs as well. The Procurement budget declines by \$5.8 billion, and programs have been stretched out over time such as the Joint Strike Fighter, selected shipbuilding programs, the Army's Ground Combat Vehicle, and many others.

"We are aware of measures in this budget to reduce personnel strength. Over the coming five years the budget proposes reducing US forces by 124,000 personnel including the Active, Guard and Reserve components. We look forward to working with you on this, and other proposals regarding medical care and retirement to help control DoD personnel costs. We clearly need to find ways to reduce these costs in a manner that keeps the faith with the all-volunteer force.

"We appreciate that you've developed the FY 2013 budget in the context of a review of our

nation's military strategy, and that this strategy played a major role in guiding funding adjustments. We are particularly interested in the ways this budget supports strategic imperatives such as an increased focus on the Asia-Pacific Region, and how it protects key investments in new technology and new capabilities.

"We also appreciate that these changes take place in a complex threat environment. While our troops have come home from Iraq, many security challenges remain including Iran, the Arab Spring, North Korea, China, Russia, and elsewhere. At the same time, we continue to fight in Afghanistan, and we understand that the FY 2013 budget assumes continued operations involving over 117,000 U.S. personnel.

"We also realize that this budget is being presented without assumptions on sequestration. We are very interested in your views on how sequestration would affect the Defense Department.

"Mr. Secretary, General, we look forward to your testimony and to work with you in the coming year."