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United States Senate
 COMMITTEE ON ARMED SERVICES
 WASHINGTON, DC 20510-6050

June 6, 2012

RICHARD D. BOBIC, STAFF DIRECTOR
 ANDY C. SAUER, SENIOR STAFF DIRECTOR

The Honorable Leon E. Panetta
 Secretary of Defense
 The Pentagon
 Washington, DC 20301-1000

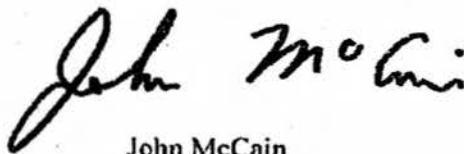
Dear Secretary Panetta:

We write to bring to your attention language contained in the mark-up of the National Defense Authorization Act for Fiscal Year 2013, which passed the committee unanimously on May 24th, 2012. The Committee adopted both a provision of law and separate report language directing the Department of Defense to submit to the Armed Services Committees by no later than August 15, 2012 a detailed report on the impact of the sequestration of funds authorized and appropriated for Fiscal Year 2013 for the Department of Defense. The language states that the report should include an assessment of the potential impact of sequestration on the readiness of the Armed Forces, on the ability of the Department to carry out the National Military Strategy, and any changes to the most recent Chairman's Risk Assessment.

We share your concern that these arbitrary reductions imposed well into the fiscal year would "inflict severe damage to our national defense for generations." We support your efforts to inform Congress of the potentially catastrophic impact of sequestration on our national security. We believe a detailed report on the impact of sequestration, along with the concerns expressed by the Defense industry of widespread lay-offs starting this fall, will assist our effort to find an alternative method to achieve budget savings without resorting to irrational and irresponsible mandatory cuts to critical national security accounts, including funds required to support our military forces engaged in overseas contingency operations in Afghanistan.

We hope the Department will endeavor to comply with the intent of the authorization bill with a detailed report by August 15, 2012, and we look forward to continuing to work with you on this critical issue.

Sincerely,



John McCain
 Ranking Member



Carl Levin
 Chairman



OSD006856-12



THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

APR 03 2012

The Honorable Kay Granger
Chairman
Subcommittee on State, Foreign Operations,
and Related Programs
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairman:

Thank you for sharing dinner with us on March 7, 2012. At the dinner, you asked me to inform you about what specific issues would arise if we have to implement a sequester. As I have mentioned before, the Department is not planning for a sequester, so we cannot identify specific changes that would occur. But we do know that we would face some difficult choices — driven by the need to cut about \$55 billion from the defense budget in Fiscal Year (FY) 2013, compared with the current FY 2013 President's Budget plan now on the Hill. Cuts would be similar in subsequent years. In addition to imposing large cuts, the law greatly limits our flexibility to implement the FY 2013 reductions. Many programs would each have to be cut by the same percentage, a "meat-axe" approach that would cause much disruption.

The size and limited flexibility to implement the cuts imposed by a FY 2013 sequester would force us to address many issues, including:

- The impact on Overseas Contingency Operations funding
- Whether to utilize the President's authority to exempt military personnel from the sequester, even though exempting them would lead to larger cuts in other accounts, including those that support military readiness
- The extent to which sequester could force us to delay training and weapons maintenance
- The possibility that we would need to furlough civilian personnel, adversely affecting morale and productivity
- The impact on payments for health services to military dependents and retirees
- Pressures under a sequester that could lead us to break firm fixed price contracts, such as the contract for the KC-46 tanker, leading to costly contract renegotiations



OSD003722-12

- The effects sequester would have on multiyear contracts for weapons, which could lead to contract abrogation and cancellation costs
- The difficulty, in the event of sequester, of managing increases in weapon unit costs
- Cost growth and delays in construction projects

As I have often stated, reductions of the magnitude imposed by sequester coupled with the manner in which we would have to impose them in FY 2013, would be devastating to national security. The sequester mandated by Title III of the Budget Control Act is not meant to be a policy that we implement. Rather, it is designed to create a powerful incentive for Congress to pass a large, balanced deficit reduction package. The President's deficit reduction plan is such a program. If enacted, it would more than meet the deficit reduction target in Title III, allowing Congress to enact legislation halting sequester.

I am committed both to maintaining a superior military and helping achieve the deficit reduction needed to ensure the long-term security of the United States. We look forward to continuing to work with you as we seek to meet these goals in a responsible way.

Sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

TAB A



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

032

ACTION MEMO

March 29, 2012

FOR: SECRETARY OF DEFENSE

DepSec Action _____

FROM: Robert F. Hale, Under Secretary of Defense (Comptroller)/CFO

R. Hale
3/29/2012

SUBJECT: Letter to Representative Kay Granger on Sequester Questions

- During your dinner on March 7th, Rep. Granger asked for some specific questions that the Department would have to deal with if the sequester takes effect.
- We have prepared a letter (TAB A) which highlights some of those issues.

RECOMMENDATION: Sign the letter.

COORDINATION: General Counsel, ASD (Legislative Affairs) (TAB B).

Attachments:
As stated

29 MAR 12

SD CA		DSD SA	
SD SMA		DSD SMA	
SD MA		DSD MA	
TSA		DSD CA	
SA			
ES	<i>RFH 3/29</i>	ESS	
ESR	<i>RFH 3/29</i>	ESB	<input checked="" type="checkbox"/>



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COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

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COLLEEN HANABUSA, HAWAII

ROBERT L. SIMMONS, II, STAFF DIRECTOR

June 27, 2012

The Honorable Leon Panetta
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301

Dear Secretary Panetta:

As you are aware, the Budget Control Act of 2011 requires that over a trillion dollars in automatic cuts, known as sequestration, take effect in January 2013, barring a new agreement between Congress and the White House on deficit reduction. Although the House has passed a measure that would achieve the necessary deficit reduction to avoid sequestration for a year – encompassing both defense and non-defense accounts – the Senate has failed to consider any similar measure and the President has threatened to veto the House proposed solution. Given the apparent impasse, it is appropriate to provide information to members of Congress, industry, and the public about the Administration's interpretation of the law and how sequestration would be implemented mechanically. At a minimum, this information is critical for planning, and perhaps the additional insight into the realities of sequestration will incentivize all parties to offer alternative deficit reduction plans.

Therefore, you, or your designee, is invited to testify before the House Armed Services Committee on Sequestration: Implementation Options and the Effects on National Defense on Wednesday, July 18, 2012 at 10:00 AM in room 2118 of the Rayburn House Office Building. Kindly please respond to this invitation by Monday, July 9, 2012. I believe this hearing could not be timelier, as industry is already preparing to take actions in anticipation of sequestration. We have requested that industry representatives testify about these actions at a subsequent panel on the same date.

Committee Rule 13 provides that witness statements must be delivered to the committee at least 48 hours in advance of the hearing to facilitate distribution to the members. Therefore, it is requested that 80 copies of your prepared statement be delivered to room 2120 Rayburn House Office Building the morning of Monday, July 16, 2012. In addition, consistent with the House rules requirement to make materials from hearings electronically available to the general public,



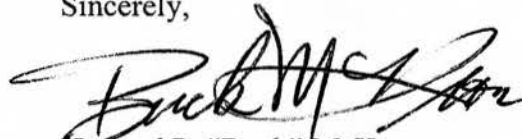
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The Honorable Leon Panetta
June 27, 2012
Page 2

Committee Rule 13 requires that witness statements be provided to the committee in electronic form. This request may be satisfied by a transmittal via e-mail to Lauren Hahn at Lauren.Hahn@mail.house.gov.

I appreciate your consideration of this invitation and look forward to your testimony. Should there be any questions, please contact Jack Schuler on the committee staff at (202) 225-1977 or at Jack.Schuler@mail.house.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Buck McKeon". The signature is fluid and cursive, with a large initial "B" and "M".

Howard P. "Buck" McKeon
Chairman

HPM:js

CHARRTS No.: HACMQ-02-048
Committee: HAC, MILCON SUBCOMMITTEE
Hearing Date: March 01, 2012
Hearing: MILCON Budget Overview
Member: Congressman Flake
Witness: USD(C) Hale
Question: #48

Your OCO budget request for FY 2013 includes full funding for current force levels in Afghanistan, despite discussions of further troop withdrawals before the end of the fiscal year. A CQ article published on January 30 of this year noted that, "some of that extra room may be needed in the event of automatic spending cuts."

Question: To what degree was your OCO request influenced by the possibility of sequestration? If further troop reductions are announced for Afghanistan, do you expect the additional OCO funds requested to be used to fund other items?

Answer: The possibility of sequestration did not influence the Department of Defense (DoD) budgeting process for FY 2013. The DoD overseas contingency operations (OCO) budget is a bottom-up budget preparation each year, and it is configured to support current national policy and military strategy, to include troop rotations and planned deployments/redeployments, and Commander needs on the ground. There are no adjustments made to the DoD OCO budget to offset possible sequestration affects.

The OCO budget is adjusted when the President decides to implement additional troop redeployments. For example, the DoD submitted its FY 2012 OCO budget in February 2011; in June 2011 the President announced his decision to redeploy 33,000 troops from Afghanistan. Accordingly, the Congress reduced the DoD OCO budget for FY 2012 by \$4.043 billion.

CHARRTS No.: HACMQ-04-020
Committee: HAC, MILCON SUBCOMMITTEE
Hearing Date: March 29, 2012
Hearing: United States Pacific Command/United States Forces Korea
Member: Congressman Carter
Witness: USN ADM Locklear III
Question: #20

Question: Admiral Locklear, certainly sequestration is going to have an enormous impact on the Department of Defense as a whole. Most of your peers have said that "it will be a game changer." That said, what will be the impact on PACOM if Sequestration occurs?

Answer: The Secretary of Defense has repeatedly stated that defense sequestration required under the Budget Control Act would be 'catastrophic.' On February 16, 2012 during the House Appropriations Committee's defense subcommittee, Defense Secretary Panetta outlined global threats from ongoing war in Afghanistan to challenges in the space and cyber domains to growing competition in the Pacific region and a volatile Middle East, where, he said, "any one of these countries could explode on us." He went on to say, "A half trillion dollars in new defense cuts could result in a military unprepared to meet those threats. It is very important that we get together -- both the administration and the Congress -- and we develop a package ... to make sure this doesn't happen."

There is no simple methodology to calculate the level of impact sequestration will have upon the command albeit to say it will be significant.

CHARRTS No.: HACMQ-04-021
Committee: HAC. MILCON SUBCOMMITTEE
Hearing Date: March 29, 2012
Hearing: United States Pacific Command/United States Forces Korea
Member: Congressman Carter
Witness: USN ADM Locklear III
Question: #21

Question: As a Follow up; also, your command has done a great job of assisting our friends in the East in times of natural disaster, how will sequestration impact your ability to conduct Disaster Response in the region?

Answer: Since a significant amount of natural disasters occur in the Pacific Theater, U.S. Pacific Command relies on forward deployed forces and limited supplies to rapidly respond to requests for disaster assistance. Any reduction in funding to support our forward deployed forces/assets would limit our ability to rapidly mount an effective response to disasters throughout the Pacific Theater. Also, any reduction in funding to support disaster response (Overseas Humanitarian, Disaster and Civic Aid (OHDACA)) would have a negative impact on the level of support DoD could provide in the initial stages of a disaster, when DoD assistance is of critical importance to the requesting country.

Additionally, USPACOM uses OHDACA funding not only in responding to disasters, but disaster preparedness/mitigation capacity building efforts for developing nations in the PACOM AOR. These preventive efforts assist these nations in reducing loss of life and providing resiliency for quicker recovery by being better prepared to respond to an event, which also assists governments in maintaining stability and minimizing potential terrorist influences/footholds. A secondary goal to prevention efforts is reducing U.S. Government (USG) disaster response costs by mitigating our response size during future events. All efforts are coordinated with USAID/Office of U.S. Foreign Disaster Assistance (OFDA) to best maximize USG assets.

Lastly, engagement with our allies and partners, particularly during disasters, is a mission we need to continue and push for full funding. Their assistance and support is critical in providing timely access into the affected zone and coordinating our collective military response to enable effective and appropriate assistance, while not wasting manpower and resources.