S. HRG. 109–22, PT. 6

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2006

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

ON

S. 1042

TO AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 2006 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL YEAR FOR THE ARMED FORCES, AND FOR OTHER PURPOSES

PART 6
PERSONNEL

APRIL 5 AND 13, 2005

Printed for the use of the Committee on Armed Services

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DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2006

TUESDAY, APRIL 5, 2005

U.S. SENATE,
SUBCOMMITTEE ON PERSONNEL,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

ACTIVE COMPONENT, RESERVE COMPONENT, AND CIVILIAN PERSONNEL PROGRAMS

The subcommittee met, pursuant to notice, at 2:35 p.m., in room SR–232A, Russell Senate Office Building, Senator Lindsey O. Graham (chairman of the subcommittee) presiding.

Committee members present: Senators Graham and E. Benjamin Nelson.

Committee staff member present: Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: David M. Morriss, counsel; Scott W. Stucky, general counsel; Diana G. Tabler, professional staff member; and Richard F. Walsh, counsel.

Minority staff member present: Gerald J. Leeling, minority counsel.

Staff assistants present: Alison E. Brill and Pendred K. Wilson.

Committee members' assistants present: Steven R. Norton, assistant to Senator Chambliss; Meredith Moseley, assistant to Senator Graham; and Eric Pierce, assistant to Senator Ben Nelson.

OPENING STATEMENT OF SENATOR LINDSEY O. GRAHAM, CHAIRMAN

Senator GRAHAM. Good afternoon, everyone. The subcommittee will come to order.

The subcommittee meets today to receive testimony on Active-Duty, Reserve, and civilian personnel programs in review of the defense authorization request for fiscal year 2006.

I would like to begin by stating how honored I am to be chairing the Subcommittee on Personnel. It really is an honor, and I look forward to my time here. I am particularly grateful to have Senator Nelson as the ranking member. I have found him to be a problem-solving Senator who understands what the Armed Services Committee is all about, and there is no more dedicated Senator to the cause than Senator Nelson from Nebraska. So I look forward to our time together.

My predecessor, Senator Chambliss, did a superb job. He is my neighbor from Georgia, and I will try to carry on the tradition that he and Senator Nelson have started. I thank him for his continuing service as a member of the subcommittee and as co-chairman of the Senate Reserve Caucus. Senator Nelson, thank you again for volunteering to serve as the ranking member.

As he knows, the subcommittee has a strong tradition of operating in a bipartisan spirit on behalf of soldiers, sailors, airmen, and marines, and I intend to continue that tradition. When I am at home speaking about the problems that our country faces, one of the things I stress is that when you are in Iraq or Afghanistan or anyplace wearing the uniform of the United States, the enemy could care less about your politics. They could care less about your heritage. All they want to know is are you an American, and if that is the case, then you are in harm's way. I really do respect what Senators Warner and Levin have done to try to make this committee as bipartisan as possible. I am sure that Senator Nelson and I will continue that tradition.

I want to extend thanks and appreciation to Senators Collins, Dole, and Kennedy for their continuing membership on the Personnel Subcommittee and to Senators McCain, Lieberman, and Akaka for joining us on the subcommittee. This is a good group. There is a lot going on today in the Capitol and they will be very involved as the subcommittee moves forward.

Secretary Chu, welcome. This will be your fifth appearance I believe.

Dr. CHU. Yes, sir.

Senator GRAHAM. I really do appreciate you coming. I have a lot of respect for your knowledge and your service to our country.

I also would like to welcome the members of our first panel, all of them wearing the uniform of our great Nation: Lieutenant General Franklin Hagenbeck, United States Army, Deputy Chief of Staff for Personnel; Vice Admiral Gerald Hoewing, United States Navy Chief of Naval Personnel; Lieutenant General H.P. Osman, United States Marine Corps, Deputy Commandant for Manpower and Reserve Affairs; and Lieutenant General Roger Brady, United States Air Force, Deputy Chief of Staff for Personnel.

Thank you all. I know enough about the military to understand that getting one star is a big deal, getting three is a huge deal. Thank you for your service.

Before we get started, I think it is appropriate to talk about people out in the field of all ranks, particularly our young officers and enlisted people who are serving in far-off places. The Personnel Subcommittee's goal is to make sure that we have a force fit and ready to fight and that the force and the families are well taken care of. Now is an opportunity to reflect for just a moment on what we have accomplished as a Nation militarily since September 11, 2001.

Since then, we have defended the homeland. We have routed the Taliban during Operation Enduring Freedom (OEF). We have ousted Saddam Hussein during Operation Iraqi Freedom (OIF). Our troops remain deployed and under combat conditions in Afghanistan and Iraq today performing heroically and defending

those fledgling democracies. I have been to Iraq three times. I have been to Afghanistan twice.

I will talk to you a bit about my observations, but the people in those countries are tasting freedom and all the burdens that come with it because the young men and women from this country and other coalition nations decided to go and make that possible. Our subcommittee is going to treat these people right.

In Iraq, our troops continue to fight the insurgents who have killed and wounded so many Americans and innocent Iraqis who aspire to live in a democratic nation. Our hearts and prayers go out to the families of those who have been injured and who have made the ultimate sacrifice in defense of freedom. On behalf of all of my colleagues, however, I wish to express our gratitude and pride in the accomplishments of the men and women of the Armed Forces. Their successes could not have been achieved without the support of their families, their communities and, in the case of our guardsmen and reservists, their employers.

I want to stress that for a moment. I was in a Guard unit that was activated during the first gulf war, and when people are called to Active-Duty from the Guard and Reserves, many times the base or the unit is far away from a military base in its traditional form. There is no better experience to see a community come together to support families of guardsmen and reservists who are deployed to the Gulf to fight the Nation's fights. Employers make a tremendous contribution to making sure our force is stable and that the men and women who serve in the Guard and Reserves are well taken care of. To the employer community out there who may be listening, we understand what you do. We appreciate what you do, and help is on the way.

I do want to underscore the role of the Guard and Reserves. Fifty percent of the combat forces and 40 percent of all U.S. military forces in Iraq are members of the Guard and Reserve, the highest use of these forces since World War II. The demands on the Guard and Reserve have never been greater, but they are meeting the challenge, and this subcommittee must continue to carefully assess the tools that the Reserve component may need in ensuring its ongoing ability to succeed.

I have been, along with most Members of the Senate, pushing for full-time TRICARE coverage for the Selected Reserves to help retention, recruiting, and readiness, and that fight continues. I appreciate the compromise that Senator Warner was able to establish last year where, if you were called to Active-Duty for 90 days, your family received a year of TRICARE. I think that is a good start that can be built upon.

As to the Active-Duty Forces, we will do everything in our power to make it so that you and your family can be well taken care of. When you decide to sign up, tough conditions can come your way, and no one is going to over-promise on this subcommittee. That is the one thing that Senator Nelson and I are committed to doing, to try to improve the quality-of-life the best we can. There is a certain hardship that comes with serving one's country, particularly in time of war. We will try to ease that hardship the best we can.

Saying thank you is never enough, but it needs to be said as much as possible. To those who serve in the Guard and Reserve on Active-Duty, thank you for the sacrifices that you are making.

With that, I will allow Senator Nelson, if he wishes, to make an opening statement.

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Well, thank you very much, Mr. Chairman. I certainly welcome you as the new chairman of the Personnel Subcommittee. I am looking forward to working together with you this year.

In past years, this subcommittee has led the way in authorizing measures to improve the quality-of-life for our servicemembers and their families. We have authorized pay increases above the rate of inflation for the last 5 years, and we raised the housing allowance to eliminate average out-of-pocket housing costs for military personnel unable to live in Government housing. Each year we have reviewed and revised special pays and allowances, as well as recruiting and reenlistment bonus authorities to provide meaningful financial incentives to those who serve in our military forces.

Over the last several years, as the chairman has noted, we have improved health care for military personnel and their families by expanding health care coverage by authorizing TRICARE for Life and by making the TRICARE health benefit available to members of the Reserve components and their families before and after mobilization. I am confident that under your leadership, Mr. Chairman, we will continue to look at expanding health care coverage for members of our Reserve components and their families.

This subcommittee has taken the lead in helping the Department of Defense (DOD) address significant issues such as spouse and family abuse, and we want to continue to work with the Department to address the very serious issue of sexual abuse in our military forces. Your leadership on this subcommittee comes at a very opportune time.

Obviously, your service in the Air Force Reserve will be invaluable as we craft measures to address the serious recruiting and retention issues that are currently and will be facing our Reserve and National Guard Forces.

The subcommittee will also address significant issues facing our Active-Duty Forces this year. While the Army struggles to maintain and, in some cases, increase its Active-Duty end strength, the Navy and Air Force will be making sizeable reductions in their authorized end strength. This subcommittee needs to ensure that the Services have the tools which they need to effectively manage their personnel programs.

Mr. Chairman, I am really looking forward to working with you as we address these personnel issues and others this year. I look forward to hearing from our witnesses today. I welcome Dr. Chu back, and ask all of you to feel as though this is less a hearing and more of a discussion period so that we can better understand the challenges that you face, and together, we can work to improve the lives of those who are under your command. We thank you very much.

Senator GRAHAM. Thank you, Senator Nelson.

Dr. Chu, your full prepared remarks and those of the other witnesses on the first panel will be entered into the record. You may now make an opening statement, if you would like.

STATEMENT OF HON. DAVID S.C. CHU, UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS

Dr. CHU. Thank you, Mr. Chairman and Senator Nelson. Thank you both for your warm welcome. It is a great privilege to appear before you this afternoon with my colleagues to describe our personnel programs, Active, Reserve, and civilian.

Just 32 years ago this summer, the United States returned to its great tradition through most of the Republic, and that is the decision to staff the military entirely with volunteers, both the Active Forces and the Reserve Forces of the United States. That decision was implemented in the summer of 1973.

The early years of the volunteer were often difficult years. It took us a while as a country to set the right parameters and the right combination of policies to secure the new success of the volunteer force, but by the 1980s, we had achieved that success. I think in the operations in the first Persian Gulf war in 1990–1991 and again most recently in Afghanistan and Iraq, as you have noted, the benefit of a well-motivated, highly-trained, volunteer force is clear for all to see. That superb performance of our young men and young women in the field has, I think properly, earned them the praise of their elders as the newest "greatest generation."

It does, as my comments suggest and as you suggested also, Senator Nelson, in your opening remarks, require a dynamic adjustment of our policy and programs to sustain that success. We are very grateful for the support of this subcommittee in making those adjustments over time. Permit me, if I may, to highlight six of the most important things that we are seeking with this year's authorization bill.

First and foremost, of course, is a pay raise of 3.1 percent. That is a half a percentage point above the so-called Employment Cost Index (ECI), continuing our conformance with the guidance of Congress that this should be our metric through fiscal year 2006. We believe this is the right pay raise for the year ahead.

Second, we would like to see the maximum amount allowed under the so-called selective reenlistment bonus (SRB) raised to $90,000 to give us more leeway as we seek to retain certain hard-to-fill skill areas.

We seek likewise an increase in the ceiling for hardship duty pay from the current level of $300 a month to $750 a month. This allows us, as difficult circumstances accrue to particular assignments, to adjust the compensation accordingly.

For the Reserve Forces, we would like to see greater parallelism with the Active Force. We would like a critical skills retention bonus authority, similar to the Active Force, with the ceiling of $100,000 to recognize the differential nature of the service.

We likewise seek a more modern affiliation incentive, for those leaving active service to join a Selected Reserve unit. We think that will be very helpful in terms of the recruiting challenges we face on the Reserve front.

Finally and I think very importantly for the long term, we are seeking in this authorization bill limited authority for the Secretary to carry out a small number of demonstration projects regarding the management of officers, recognizing that one size does not fit all and that we have specific communities where a little different approach might be meritorious. We would like authority to carry out some limited pilot projects in the years ahead, subject to your oversight and guidance.

My colleagues and I look forward to working with you again this year, just as you both suggested, in ensuring that we sustain the success of this All-Volunteer Force which has brought so much success to the efforts of the United States, as Senator Graham so nicely outlined in his remarks.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Chu follows:]

PREPARED STATEMENT BY HON. DAVID S.C. CHU

INTRODUCTION

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity to be here today.

For a number of years we have talked about transformation at the Department of Defense (DOD). This effort continues, and today I will review with you some initiatives we are working on within all components of the Total Force: Active-Duty, Reserve, DOD civilians, and the families who support our Armed Forces.

There is no disputing the fact that the Force is facing challenges. Where it does, particularly in the areas of recruiting, retention, and stress, we carefully monitor the current status and take measures to resolve problems. We continually review compensation packages to ensure that they are adequate to meet the needs of the recipients, whether the need be for basic pay, housing allowances, or survivor benefits. We work jointly in many areas to take full advantage of the strength that comes from combining resources and knowledge, for example in joint training, partnerships with State and local governments, and the new Military Severely Injured Joint Support Operations Center.

We are guided by the understanding that people are more than just numbers and budgets are more than just sums in columns. The decisions made about funding for the next fiscal year matter a great deal to real people. I am happy to be here to answer your questions and discuss the programs that we believe are essential to building and sustaining the Total Force that will meet our national security requirements.

TRANSFORMING THE TOTAL FORCE

End Strength and Relieving Stress on the Force

The Department of Defense continues to review its military end strength to ensure that the Nation's security needs can be met and is making progress in alleviating the current high demand on U.S. forces caused by operations in Iraq, Afghanistan, and the global war on terror. By focusing attention on efforts to reduce stress on our forces, we believe we can negate any need for an increase in military end strength above what is authorized in the National Defense Authorization Act (NDAA) for Fiscal Year 2004.

Transformation of how the U.S. military is structured—especially the increase in combat units in the Army and Marine Corps—is the biggest way in which the Department is working to reduce the demand on U.S. forces. The fiscal year 2005 Quadrennial Defense Review (QDR) will further refine our strategy for future military operations and for a more responsive, lethal, and agile force.

The old force structure, designed to respond to Cold War threats, did not provide us with the best balance of capabilities in the Active and Reserve components. Rebalancing the force into one that is based on capabilities rather than threats improves responsiveness and eases stress on units and individuals by building up capabilities in high demand units and skills. This will be accomplished by converting capabilities in both the Active and Reserve components that are in lesser demand, to a higher priority structure.

As outlined in the report Rebalancing Forces: Easing the Stress on the Guard and Reserve, which was published January 15, 2004, the rebalancing effort also sought to establish a limit on involuntary mobilizations to achieve a reasonable and sustainable rate. This produced a force structure planning goal of limiting the involuntary mobilization of individual reservists to 1 year out of every 6 years.

The Services are improving their posture with respect to Active component/Reserve component mix by rebalancing about 50,000 spaces between fiscal years 2003 and 2005. The Services have planned and programmed additional rebalancing initiatives for fiscal years 2006 through 2011. The amount and type of rebalancing varies by Service. The Army, as the largest Service and the one most stressed by the global war on terror, will have the bulk of the additional rebalancing.

Military-to-civilian conversions are also helping to alleviate stress on the force. In fiscal year 2004, the Department converted over 7,600 military billets to DOD civilian or contractor performance. The Department currently has plans to convert over 16,000 additional billets in fiscal year 2005 and around 6,400 billets in fiscal year 2006 and is identifying additional conversions for fiscal year 2007–fiscal year 2011. Military end strength made available from these conversions is being used to reduce high demand/low density units, alleviate stressed career fields, demobilize National Guard units, and assist with Army modularity.

The Department is investing in new information age technologies, precision weapons, unmanned air and sea vehicles, and other less manpower intensive platforms and technologies to relieve stress on the force. This is already being utilized by the U.S. Air Force in meeting their demands for installation security throughout the world. We are also increasing the jointness of our forces, (creating capabilities that exceed the sum of the individual Services) to reduce stress. To ease the burden on some high demand, low density units and skills, we have employed innovative joint concepts to spread mission requirements across the force where possible in order to meet mission requirements: for example, Navy and Air Force personnel are augmenting ground forces in Iraq.

The Air Force and Navy project decreases in their authorized military end strength. The Air Force plans to reduce its end strength by turning in military authorizations no longer needed as a result of military-to-civilian conversions. The Navy's reduction is attributable to technological advancements in the ships in the fleet, altering the workforce mix and instituting new manning practices. In summary, the Department does not see the need for additional permanent end strength at this time. The statutory limits provided for in the NDAA for Fiscal Year 2004, along with Service's stress reducing initiatives, provide adequate manpower to meet the national security requirements.

The Reserve Force

Purpose, Missions, and Policies of the Reserve Components

The purpose of the Reserve components has changed and a mission-ready National Guard and Reserve is a critical element of our national security strategy. The Reserve components support day-to-day defense requirements and portions have been an operational force since they were called up for Operation Desert Storm. This force is not a strategic Reserve that we use only during and after planned mobilization or in the event of a major war, but a force that contributed between 12 and 13 million duty days annually from fiscal year 1996 to fiscal year 2001 in support of operational missions. In fiscal year 2002 Reserve Force contributions increased to over 43 million duty days of support, and increased again in fiscal year 2003 and fiscal year 2004 to over 60 million man duty days of support annually.

The Reserve components support the Kosovo KFOR mission, the Guantanamo GITMO mission, the MFO-Sinai mission and, the most demanding of the operations, Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). OEF and OIF have resulted in the Reserve components currently furnishing about 30 percent of the troops in theater. The Reserve components are performing a variety of nontraditional missions in support of the global war on terrorism, such as providing command and control and advisory support teams in support of the training that will allow Iraqi and Afghan forces to assume a greater role in securing their own countries. The National Guard will remain an integral player in homeland defense and Operation Noble Eagle and will remain dual-missioned under both titles 10 and 32.

Personnel policy guidance published in September 2001 established the guidelines for using the National Guard and Reserve to support combatant commander requirements. In July 2002, the personnel policy guidance was expanded to require proactive management of Guard and Reserve members, particularly focusing on husbanding Reserve component resources and being sensitive to the quality-of-life of mobilized personnel and the impact on civilian employers of reservists. Our as-

sessment is that adhering to these policy guidelines, specifically limiting the mobilization period to no more than 12 months and limiting the frequency with which Reserve component members may be involuntarily mobilized (e.g., to no more than 1 year in every 6 years), and completing the initiatives the Department has undertaken—particularly the rebalancing effort—will allow the Reserve components to sustain a utilization rate not to exceed 17 percent per year in the near future.

Under the old rules, constraints in end strength and grade accounting hindered the use of Reserve volunteers. We are extremely grateful that last year Congress removed barriers to volunteerism with a new strength accounting category for reservists performing operational support. Because reservists were counted as Active-Duty end strength and were required to compete for promotion against Active-Duty personnel, reservists were reluctant to volunteer for extended periods of Active-Duty. The new continuum of service construct maximizes the use of volunteers, provides greater opportunities for reservists who are able to contribute more to do so, and offers accession and affiliation programs to meet specialized skill requirements.

These policies and initiatives were developed to preserve the nature of the "Citizen Soldier" while still allowing us to meet operational requirements. This will provide reservists with reasonable tour lengths and give reservists, their families and their employers a reasonable expectation of the Reserve service requirements. We believe that with these parameters, we can sustain a viable Reserve Force and preserve the citizen-soldier. Predictability and reasonable limits on frequency and duration of mobilization are key elements of our policies, which are designed to not only support reservists, but also sustain the support of employers and families, and ultimately enable the components to meet recruitment and retention objectives. Similarly, the emphasis on volunteerism is designed to allow servicemembers who want to shoulder a greater burden of mobilization to do so.

Reserve and National Guard Utilization

There has been considerable discussion about the stress that the global war on terror is placing on the force—both Active and Reserve. A repeated question is: what level of utilization can the Guard and Reserve sustain while still maintaining a viable Reserve Force? Recognizing that the global war on terrorism will last for a number of years, the Department established a strategic approach to ensure the judicious and prudent use of the Reserve components in support of the war effort. We will continue to assess the impact mobilization and deployment have on the Guard and Reserve and adjust our policies as needed to sustain the Reserve components.

There are two ways to look at rates of mobilization for the Guard and Reserve. The first is the cumulative approach which looks at all Reserve component members who have served since September 11, 2001. This approach includes gains but does not account for losses. Under the cumulative approach, a total of just over 412,000 Guard and Reserve members have been mobilized between September 11, 2001 and November 30, 2004. That represents just under 36 percent of the 1,157,200 members who have served in the Selected Reserve during this period. Of the total number of Guard and Reserve members who have been activated, 63,700 (or 5.5 percent of all members who have served in the Selected Reserve Force since September 11, 2001) have been mobilized more than once. Of the 63,700, a total of 52,800 (4.6 percent) have been mobilized twice, 8,400 (less than 1 percent) have been mobilized three times and just over 2,500 (two tenths of 1 percent) have been mobilized more than three times. However, no reservist has been involuntarily mobilized for more than 24 cumulative months.

The other way to look at mobilization is in terms of today's force—those who are currently serving in the force. This approach reflects gains and losses—the currently serving approach. Looking at today's force of 849,100 Reserve component members using the currently serving approach, we have mobilized 355,400 Reserve component members, representing 42 percent of the current force.

Compared to Operation Desert Storm when we mobilized 30,000 Individual Ready Reserve (IRR) members, we have not used the IRR in an overly aggressive manner to support the global war on terrorism. In the past 3 years, we have mobilized 8,000 IRR members. The further utilization of the IRR remains a viable option for meeting both near-term and long-term commitments. We must establish the proper expectations for our Reserve component members, their families, their employers, and the public in general. We are undertaking a program to establish those expectations: reasonable service requirements for the 21st century based on the frequency and duration of military duty and predictability to the greatest extent possible.

The National Guard is an integral part of the Air Force and Army total force mission capability, yet as evidenced by the three devastating hurricanes that hit Florida or the wildfires that blazed through our western States during 2004, the National Guard is a crucial element in a Governor's response to natural disasters.

Similarly, the National Guard has a prominent role in supporting local and state authorities in their efforts to manage the consequences of a domestic terrorist attack. Their roles are vital to the survival of the Nation and therefore the National Guard will remain a dual-missioned military force.

The centerpiece of responding to domestic terrorist attacks is the fielding of 55 Weapons of Mass Destruction Civil Support Teams (WMD CSTs), one in each State, Territory, and the District of Columbia. These 55 teams are to support our Nation's local first responders as the initial state response in dealing with domestic chemical, biological, radiological, nuclear, or high yield explosives (CBRNE) by identifying the agents/substances, assessing current and projected consequences, advising on response measures and assisting with appropriate requests for additional State support. Each team is comprised of 22 highly-skilled, full-time, well-trained, and equipped Army and Air National guardsmen. To date, the Secretary of Defense has certified 32 of the 55 congressionally authorized teams as being operationally ready. The WMD CST funding for fiscal year 2005 is $214.2 million, and the budget request for fiscal year 2006 is for $214.6 million. The Department is preparing 12 teams for certification in fiscal year 2005. The final 11 teams are being prepared for certification in fiscal year 2006. Any of these planned certifications can be affected by lack of available equipment or fully trained personnel; however, we do not anticipate problems with either.

The fight against terrorism and the protection of our homeland will be protracted endeavors. To that end, many outside policy experts, independent panels, and analytic studies have advocated expanded roles for the National Guard in homeland security. Some have even suggested that the National Guard should be reoriented, reequipped, and retrained solely for the homeland security mission. However, there has been no national strategy change to justify the need to establish a separate role for the National Guard to only perform homeland security related missions under new statutes and administrative guidelines. There are already sufficient legal mechanisms in place that enable State and territorial governors to employ their National Guard forces in support of local authorities to meet a wide range of these existing missions.

Reserve Component Recruiting and Retention

We have been monitoring the effects of Reserve utilization and the stress on the force since 1996. The key factors we track are end strength attainment, recruiting results, retention, attrition, and employer/reservist relations.

As we have seen in the first 5 months of this fiscal year, we are facing a very challenging recruiting environment in the Reserve components. With the exception of the Marine Corps Reserve, the Reserve components got off to a slow start in October, but we are seeing steady improvements with overall attainment of recruiting objectives increasing from 75 percent in October to 82 percent, year-to-date, in February. The Air Force Reserve and Marine Corps Reserve are leading the Reserve components with the Air Force Reserve at 119 percent of its goal through February and the Marine Corps Reserve at 99 percent of its goal. The Air Force Reserve has exceeded its recruiting goals for each of the past 4 months. The Marine Corps Reserve performance is quite remarkable since, of the six DOD Reserve components, it has had the greatest proportion of its force mobilized since September 11, 2001, in support of the global war on terrorism.

To address the recruiting challenges the Reserve components, as a whole, are expanding their recruiter force and using the new incentive enhancements in last year's authorization act that best meet their needs. The Army National Guard is working closely with the various states and territories to rebalance structure as needed to ensure the states are properly sized to meet their strength objectives. The Air Reserve components are taking advantage of the downsizing of the regular Air Force, and they are examining their incentive structure to ensure that they can attract and retain sufficient manpower resources.

The Defense Advisory Commission on Military Compensation will be looking at incentive structures and may make suggestions for improvements that they believe will assist us in meeting our recruiting and retention objectives. The Commission on the National Guard and Reserves will review personnel pay and other forms of compensation as well as other personnel benefits. We look forward to working with these Commissions as they assess the compensation and benefits package needed to sustain a healthy National Guard and Reserve.

In fiscal year 2004, the Reserve components recruited 59,187 first-term enlistees and an additional 57,494 individuals with previous military service for a total of 118,177 recruits, attaining 96 percent of the total Reserve component goal of 123,304 accessions. In addition, all of the Reserve components remained under their programmed attrition ceilings.

We anticipate that recruiting challenges will continue in 2005. The Army National Guard and the Army Reserve are at risk of falling short of their recruiting objectives. They are addressing this problem with aggressive use of enhanced recruiting and retention incentives and large increases in their recruiting forces. The Army National Guard is adding 1,400 recruiters for a total recruiting force of 4,100, and the Army Reserve is adding 734 recruiters for a total force of 1,774. In addition, the Army is detailing 250 Active Army recruiters to Reserve recruiting while the new Reserve recruiters are being hired and trained. The other four DOD Reserve components are projecting that they will achieve their 2005 objectives, even though three of the four got off to a slow start. However, we have seen steady improvement in results for each of those three components and even the Army National Guard has steadily accessed more new recruits each month.

We are closely monitoring the effects of mobilization on recruiting and retention, especially for the Reserve components. In the aggregate, the Reserve components fell short of their end strength objective, achieving a strength of 851,395 against an authorized strength of 863,330, largely due to a significant shortfall in the Army National Guard. However, the recruiting shortfall was not as significant as it could have been due to very low attrition. This is quite remarkable given the increased use of the Reserve components in the global war on terrorism. A strong attrition posture continues through January.

The trend of an increasing percentage of Reserve component recruits without prior military service continues. Approximately 50 percent are now expected to come directly from civilian life. This is a result of, among other factors, high Active component retention contributing to a smaller IRR population. For 2005, all Reserve components are continuing to focus their efforts on maintaining aggressive enlistment programs by using enhanced enlistment and re-enlistment incentives in critical skill areas.

Attention to the prior service market will continue. The Reserve components will expand their efforts to contact personnel who are planning to separate from the Active component and educate them on the opportunities available in the Guard and Reserve. In addition, the Reserve components will continue their efforts to manage departures. All Reserve components are achieving success in retention, with year-to-date attrition at or below our base line year of 2000.

The mission of the National Committee for Employer Support of the Guard and Reserve (ESGR) is directly related to retention of the Guard and Reserve Force. Employer support for employee service in the National Guard and Reserve is an area of emphasis given the continuing demand the global war on terrorism has placed on the Nation's Reserve component and the employers who share this precious manpower resource. Nationwide support for our troops by employers has been and continues to be superb.

ESGR has established a Customer Service Center hotline (800–336–4590) to provide information, assistance and gather data on issues related to Reserve component employment. We have established the Civilian Employment Information (CEI) database so Reserve component members may register their employers in the Defense Manpower Data Center (DMDC). The synergy derived from linking these databases enables ESGR to measure and manage employment issues.

Misunderstandings and conflicts between employers and Reserve component members do arise. ESGR Ombudsmen provide "third party assistance" and informal mediation services to employers and Reserve component members. Major initiatives undertaken by the ESGR National Staff include: a Defense Advisory Board (DAB) for Employer Support to provide advice on issues critical to shared human capital; employing information technology systems to create ESGR volunteer manpower efficiencies; initiating a scientific survey of employer attitudes; enhancing strategic relationships with employer organizations such as the U.S. Chamber of Commerce, National Federation of Independent Business, Society for Human Resource Management, and professional associations; implementing a follow-up process to promote the mission of "gain and maintain" employer support; building on marketing successes achieved in the National Employer Outreach program; gaining significant national exposure in traditional and new media with the singular focus of defining the American employers' role in national security.

The number of complaints filed with the Department of Labor under the Uniformed Services Employment and Reemployment Rights Act declined each year from 1995 through 2000. While complaints filed during the first 3 years we have been involved in the global war on terrorism have increased, the ratio of complaints compared to the total number of duty days of operational support provided by the Reserve components actually declined during the past 3 years. For example, between 1996 and 2001, reservists performed an average number of 15,500 duty days for every complaint filed with the Department of Labor. Compared to the last 3 years

with the Reserve components supporting the global war on terrorism, reservists performed an average of 43,000 duty days for each complaint filed with the Department of Labor. We are answering every call and complaint we receive from an employer, family member or individual guardsmen or reservist.

Reserve Component Health Benefit Enhancements

The Department is moving forward expeditiously to implement recent benefit enhancements for Reserve component members and their families. Recent legislative action dramatically improved health benefits. The Department has implemented the permanent earlier TRICARE eligibility (up to 90 days prior to activation) for certain Reserve component members and the extension of post-mobilization coverage for 180 days, and authorized waiver of TRICARE deductibles and higher provider payments for activated Reserve members and their families consistent with the approach in the Reserve Family Health Care Demonstration, in effect since 2001.

In April 2005, the Department will implement the premium-based "TRICARE Reserve Select" program, offering medical coverage to reservists and family members who have served in support of contingency operations since September 11, 2001 and who commit to continued service in the Selected Reserve. The benefit will be similar to TRICARE Standard, the fee-for-service option of TRICARE.

These new authorities give us the tools to fully address the health care needs of reservists and their families. Assuring the medical readiness of reservists when they are called to Active-Duty registers as one of our highest priorities. In addition, providing excellent benefits to the families of activated reservists and supporting them in the transition to and from Active-Duty are vitally important responsibilities. It will be important to assess the effect of the new entitlement for reservists who are not on Active-Duty. A key issue will be the effect of a new entitlement on recruitment and retention of both Reserve and Active-Duty component members.

The Active Force

Force Management

As with the Reserve components, we look to recruiting and retention results, benefits packages, and force-shaping initiatives when measuring progress and shortcomings in the management of the Active-Duty Force. Some issues, such as the prevention of sexual assault and rest and recuperation, affect all Service members equally, whether they belong to an Active or a Reserve component; but there are also requirements unique to the permanent, All-Volunteer Force. We strive to ensure that the men and women who have chosen to be a part of the Active-Duty Force are satisfied that their commitments are fairly rewarded and always appreciated.

Compensation

Prosecuting the global war on terrorism requires top quality, highly skilled men and women whose compensation package must be competitive enough to recruit them and retain their voluntary service. Basic pay, housing and subsistence allowances, bonuses, special and incentive pay and other key benefits must serve to sustain these warfighting professionals. We are grateful to Congress for its work in improving each of these areas, especially over the past several years. Military pay raises, reducing out-of-pocket housing costs for servicemembers and their families, bonuses, and special and incentive pays send a clear signal that our Nation values the courage and sacrifice required of our military members.

Since September 11, 2001, the Department and Congress have worked together to increase military basic pay by more than 21 percent. The across-the-board 3.1 percent pay raise in this year's budget represents the last year in which the law calls for a military pay raise equal to ½ percent greater than the Employment Cost Index (ECI).

In addition to maintaining efforts to achieve competitive pay, the Department has accomplished its goal of eliminating average out-of-pocket housing costs by 2005. The success of this effort is a direct result of the close cooperation of the Department and Congress, resulting in housing allowances that are more than 41 percent greater than they were in 2001. Servicemembers view the housing allowance as one of the key elements of their total compensation package and can be confident they can afford adequate housing when they move in the service of their country. Further, the Department will continue its efforts to improve our data collection to ensure the allowance accurately reflects the current housing markets where servicemembers and their families reside.

The Department is committed to taking care of servicemembers and their families through appropriate compensation while members are deployed and serving their country in dangerous locations around the world. Military personnel serving in OIF

and OEF in a designated combat zone, as well as members serving in direct support of these operations, receive combat zone tax benefits that exclude all the income of our enlisted members from Federal income tax. These servicemembers also receive $225 per month in Imminent Danger Pay (IDP) and $250 per month in Family Separation Allowance (FSA), amounts made permanent in the NDAA for Fiscal Year 2005. Additionally, these individuals qualify for Hardship Duty Pay-Location at the rate of $100 per month and $105 per month in incidental expense allowance. This results in pay increases for a typical married member of over $700 per month and over $500 per month for a typical single member, while deployed. These pays and allowances acknowledge the hardship and danger involved at these deployment locations as well as the sacrifice associated with tours away from family.

In recognition of deployment frequency and excessive duration, the Department has authorized payment of Assignment Incentive Pay (AIP) to members serving longer than 12 months in Iraq or Afghanistan. These payments are as much as $1,000 per month for members in units serving necessary but involuntary extensions beyond 12 months. The Department is grateful to Congress for its substantiation of AIP as a flexible and responsive means for Services to appropriately compensate members who are called on to extend their service in demanding assignments. We again seek an increase in the ceiling for Hardship Duty Pay to further increase our flexibility with additional options to better address these pressing issues.

Retention of Special Operations Forces presents another critical compensation challenge as a result of the war on terror. The United States Special Operations Command force structure is projected to increase through September 2008. Increased retention of current Special Operations Forces members, in the face of ever demanding requirements and lucrative alternatives, is critical to the success of that growth. In December, the Department authorized a robust retention incentive package that includes extensive use of the Critical Skills Retention Bonus, Special Duty Assignment Pay, Assignment Incentive Pay, and the Accession Bonus for New Officers in Critical Skills. For example, we are offering bonuses of up to $150,000 for highly-skilled senior noncommissioned officers to serve an additional 6 years. The Department continues to monitor Special Operations Forces retention and review initiatives to leverage Special Operations Forces readiness through high return investments in military compensation and benefits designed to sustain these highly valued professionals.

Shaping the Force

As we transform to a more flexible, lethal force for the 21st century, the Department of Defense is exploring various alternatives to ensure the force has the proper balance and mix of skills and experience. We are looking at developing an integrated package of voluntary separation incentives—we do not want to "break faith" for their loyal and dedicated service and create significant recruiting and retention risks. These voluntary incentive tools are of particular importance when the Air Force and Navy are decreasing in size while the Army is increasing operating strength.

In practice, we see the military departments implementing the least expensive tools appropriate to their circumstances, progressing to more expensive tools only as their force shaping requires. Only if voluntary separations did not suffice would the military departments, as a last resort, implement involuntary separation measures such as Selective Early Retirement.

Death and Survivor Benefits

We realize that no benefits can replace a human life; the lost presence of the family member is what survivors face. Nevertheless, we must address the difficult issue of how to compensate these survivors. Our system of benefits is generally good, but recent assessments concluded that the overall package could be improved to honor properly the contributions and sacrifices of our servicemembers. We are working within the Department and with other agencies to address these deficiencies, primarily in the area of immediate cash compensation, for those whose death is the result of hostile actions. We are looking at ways to improve the lump sum payments through increased insurance and death gratuity payments. Our objective is to ensure that we fully support our servicemembers when we send them into harm's way, and that we properly support the family's needs if the servicemember dies on Active-Duty.

Benefits for survivors vary significantly in purpose and method of payment. Some are immediate cash payments or reimbursements for costs incurred; others provide long-term monthly income. These benefits are typically available whether the death is a result of hostilities, the result of non-hostile duty-related activities, or even the

result of disease or off-duty injuries. Among the benefits currently available are: the Death Gratuity benefit, funeral costs reimbursement, Servicemembers Group Life Insurance (SGLI) proceeds, housing-in-kind or cash allowance for housing, continued medical benefits, continued military community privileges, Veterans' Administration (VA) monthly Dependency and Indemnity Compensation (DIC), monthly DOD Survivor Benefit Plan (SBP) payment, Social Security survivor benefit, education benefits from the VA, and financial counseling.

The NDAA for Fiscal Year 2004 included a requirement for the Department to study the totality of all current and projected death benefits for survivors of deceased members of the Armed Forces. The SAG Corporation completed the study in June 2004 and concluded that the system of benefits provided to survivors of members who die on Active-Duty to be adequate, substantial, and comprehensive. However, it identified areas where improvements could make the benefits more comparable to benefits provided by other employers. The Government Accountability Office (GAO) was required to conduct a similar study. The GAO report, dated July 2004, made no recommendations, but reached findings similar to the SAG report.

We agree with the findings of the SAG and GAO reports that our benefits, while substantial, do not provide specific recognition of deaths that occur when our members are sent into harm's way in the service of their Nation; so we propose increasing the cash benefits for deaths that occur under these circumstances. We support the principle that a servicemember be able to elect a benefits package that would provide up to $500,000 to the surviving family. This compares to the approximately $262,000 they are able to receive today. The President's recent death benefits proposal includes improvements to the SGLI and death gratuity programs.

Active Duty Recruiting and Retention

The success of our All-Volunteer Force starts with recruiting. During fiscal year 2004, the military Services recruited 176,026 first-term enlistees and an additional 6,799 individuals with previous military service into their Active-Duty components, for a total of 182,825 Active-Duty recruits, attaining over 100 percent of the DOD goal of 181,308 accessions.

The quality of new Active-Duty recruits remained high in fiscal year 2004. DOD-wide, 95 percent of new Active-Duty recruits were high school diploma graduates (against a goal of 90 percent) and 73 percent scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60 percent).

Through February, fiscal year 2005, all Services except Army continued to meet or exceed both quantity and quality objectives. Army has achieved 27,438 of their 29,185 accession goal through February, for a 94-percent accomplishment. Preliminary figures suggest that Army missed its March goal for Active-Duty enlisted accessions by about 2,100. Army quality levels remain strong, in excess of DOD quality benchmarks.

We do not expect to see improvement in the Army recruiting situation during the traditionally challenging February-March-April-May (FMAM) recruiting season. However, the Army is aggressively attacking any potential shortfall through three avenues of approach: (1) growth in recruiters in all components, with an additional 250 Active recruiters programmed over the next 60 days; (2) stronger incentives, with increased enlistment bonuses, and an increase in the Army College Fund; and (3) more targeted advertising, focusing on influencers, particularly parents. With the Army aggressively shifting resources to respond to recruiting challenges, we are cautiously optimistic that it will achieve its year-end recruiting and end strength goals. However, achieving these goals will require funding and policy adjustments such as targeted funding increases included in the supplemental budget and market expansion pilot programs now in effect.

The Services accessed 16,431 commissioned officers to Active-Duty in fiscal year 2004. The Army, Navy, and Marine Corps met their numerical commissioning requirements. The Air Force finished with a shortfall of 12 percent, almost exclusively in medical specialty direct appointments. In fiscal year 2005, Active-Duty officer accessions are on track in all Services for numerical success this year.

Army and Marine Corps met or exceeded fiscal year 2004 retention goals. Navy and Air Force were retaining high at the outset of the year, but force shaping initiatives aimed at balancing manpower skills and assisting with force reduction caused them to retain fewer members during the last quarter of fiscal year 2004.

For fiscal year 2005, retention is on track. Over the past 3 years, the Department has worked to improve servicemembers' quality-of-life. We continue to work with Congress to achieve needed military pay raises and to develop flexible and discretionary compensation programs. We have every confidence that funding and policy modifications will be sufficient to ensure continued success in achieving authorized strength levels.

FISCAL YEAR 2005 ACTIVE DUTY ENLISTED RETENTION THROUGH FEBRUARY 2005

Active Duty Enlisted Retention (Preliminary Through February)	Reenlisted (Through February 2005)	Mission	Performance of Mission	Fiscal Year 2005 Goals
Army				
Initial	11,165	12,094	92.3 percent	26,935
Mid Career	9,991	10,378	96.3 percent	23,773
Career	7,180	5,874	122.2 percent	13,454
Navy				
Initial	59 percent	53 percent	Exceeded	53 percent
Mid Career	69 percent	69 percent	Met mission	69 percent
Career	85 percent	85 percent	Met mission	85 percent
Air Force				
Initial	55 percent	55 percent	Met mission	55 percent
Mid Career	59 percent	75 percent	Short	75 percent
Career	94 percent	95 percent	Short	95 percent
Marine Corps				
Initial	4,953	2,972	Exceeded	5,944
Career	3,072	2,540	Exceeded	5,079

Stop-Loss

The Army is the only Service currently executing stop-loss. In January 2005, stop-loss programs impacted 6,657 Active soldiers, 3,016 Army Reserve soldiers, and 2,680 Army National Guard soldiers. Active Army Unit Stop-Loss Program takes effect 90 days prior to unit deployment or with official deployment order notification and remains in effect through the date of redeployment to permanent duty stations, plus a maximum of 90 days. Reserve component unit stop-loss begins 90 days prior to mobilization or with official mobilization alert deployment order notification, and continues through mobilization, and for a period up to 90 days following unit demobilization.

The Army will terminate stop-loss as soon as it is operationally feasible. Army initiatives of modularity, restructuring, and rebalancing the Active/Reserve component mix, and force stabilization will over time eliminate any need for stop-loss. Until those initiatives are fully implemented, stop-loss must continue if we are to meet strength, readiness and cohesion objectives for units deploying to OIF and OEF.

Joint Officer Management

The nature of war and warfighting has undergone significant change since 1986, when the Goldwater-Nichols Act was passed. Since that time, our warfighters have risen to meet new and increasingly complex challenges with superior joint doctrine, enhanced joint warfighting capabilities, and a new joint effectiveness enabled by the cultural revolution this visionary piece of legislation brought about. The data gives evidence that our officer corps has become more joint with each passing year. Likewise, Service missions are increasingly joint.

Unfortunately, we have a growing sense, supported by recent reports or studies, that joint officer management is following this trend more slowly. Just as our force structure was a legacy of the Cold War, joint officer management policies need to be updated to better serve the intent of Goldwater-Nichols in the 21st century. Some aspects of the current statutory management policies were designed to force jointness. In today's environment where the Department embraces jointness, the old rules are impeding progress. A 2002 GAO report and a 2003 independent study conducted by Booz Allen Hamilton, both suggested that the Department needed a strategic approach to joint officer management and joint professional military education (JPME) to better address this issue.

In late 2003, the Department, in partnership with the Joint Staff and with the assistance of contractors, began a comprehensive, strategic review of joint officer management and JPME in the Active-Duty Force. A strategic approach was developed for the Active-Duty officer force, and an initial tactical analysis of the current joint duty assignment list was undertaken to better understand the "kinds" of joint that currently exist. This effort has now progressed to the data gathering and analysis phase from which we hope, once completed, to better understand the need and availability of joint characteristics in the strategic environment.

We have also started down the path to develop a strategic approach to joint officer management in the Reserve components to ensure our total force remains effective and able to seamlessly integrate. As a result of direction in the NDAA for Fiscal Year 2005, we are further broadening the scope to include an assessment of, and

recommendations to improve, the performance of senior DOD civilians, senior noncommissioned officers, and senior Reserve component leadership in joint matters.

Another area of emphasis is to ensure officers with skills specific to the joint environment are recognized with promotions commensurate with their potential. It is unreasonable to expect Military Department promotion practices will adequately address unique joint requirements. The Department is researching alternative methods to current promotion policies that will enhance our capabilities in this area.

Through all of these efforts, we hope to develop a comprehensive slate of legislative and policy initiatives that will change the way we manage human capital in the joint realm. Our goal is to build on the tremendous progress made since the Goldwater-Nichols Act was enacted and to ensure our management of the joint warfighter adequately prepares him or her to meet the challenges he or she will face in the future.

Expanding Our Foreign Language and Regional Expertise Capabilities

The demand for increased foreign language and regional expertise capabilities is increasing and the skills are needed for the entire spectrum of the Department's operations. Current operations and the global war on terrorism require capabilities in a growing number of languages and at higher proficiencies, not only in intelligence, but also in activities such as stability/reconstruction operations and maritime intercept operations. At the same time, gaining knowledge of the psychology and cultures of those who oppose us is a mandate.

We are committed to creating foundational language and cultural expertise in the force; creating the capacity to surge foreign language and regional expertise skills to operational units on short notice; establishing a cadre of language specialists possessing a level 3 ability; and establishing a process to track the accession, promotion and separation rates of language professionals and Foreign Area Officers.

We have formed a committee of General Officer and senior civilians to oversee the Defense Language Program, address problems, and affect systemic changes. We have conducted several studies to inform our decisions. In response to Congress, we are conducting a study on how to integrate foreign language and regional expertise training into Professional Military Education curricula. To strengthen the Office of the Secretary of Defense (OSD) oversight and improve management of our language assets, we have written a Defense Language Transformation Roadmap. The Roadmap is based on thorough review of lessons learned and research and was developed with the Services, combatant commands, and defense agencies having language requirements. It will serve as the guide to incorporate foreign language and regional/cultural competency into doctrine, operational planning processes, and readiness assessments. When completely implemented, the Roadmap will embed force language and regional expertise as a necessary skill set for the 21st century soldier, sailor, airman, and marine.

In the fiscal year 2006 budget, we increased the language training budget at the Defense Language Institute in Monterey, California by $44.7 million to improve language training. These funds sustain the budget increase in fiscal year 2005, allowing us to continue improvement of testing, curriculum material, and "crash courses" for deploying forces. These funds will also allow us to aggressively move forward to improve the proficiency of graduates from the Defense Language Institute Foreign Language Center (DLIFLC) to meet the identified needs of the Intelligence Community.

We also have an initiative in the Army to immediately enhance our language expertise. The Army is implementing a pilot program to recruit Iraqi-Americans into the IRR for deployment with operational forces as translators and interpreters. To date, 44 soldiers have been deployed, 19 await deployment, and an additional class of 14 soldiers will graduate in March and 26 will be entering the training pipeline in June.

You have helped us in our efforts and I thank Congress for raising the cap on Foreign Language Proficiency Pay (FLPP). We are now rewriting our FLPP policy to better incentivize foreign language learning within the force.

The need for language and cultural expertise is vital for a robust military, but we recognize this need reaches beyond DOD. Language and cultural expertise are necessary for national security, the ability to compete in a global economy, and the stability and well-being of our communities. We alone cannot fix the national shortfall in these necessary skills, but we can lead the effort. The Department convened the National Language Conference: A call to action this past year, bringing together Federal agencies, academia, and business for the first time to address the need for greater foreign language capabilities in the U.S. workforce. With their help, we constructed a White Paper outlining a proposed national strategy. We are in continuing dialogue with leaders in other Federal agencies and academia about ways to encour-

age more young Americans to learn a foreign language, particularly the less commonly taught languages. Such skills will serve our youth and our Nation very well.

Sexual Assault

Sexual assault is a crime that tears at the bonds of trust and respect that unite men and women in uniform. The Department has taken aggressive action to combat this crime. Our efforts are paying off, as evidenced by the 1995 and 2002 congressionally mandated surveys. These indicate that sexual assaults within the military have decreased by almost half since 1995. Although we are making progress, even one assault is too many.

Over the past year, the Department has been working collaboratively with the Services, Members of Congress, and national experts to address the crime of sexual assault within the Armed Forces. As a result, the Joint Task Force for Sexual Assault Prevention and Response was established in October 2004 as the single point of accountability for the Department's sexual assault policy. Its initial task was to develop policy incorporating the criteria set forth in the NDAA for Fiscal Year 2005, which directed the Department to have a sexual assault policy in place by January 1, 2005.

I am pleased to report that the Department has made great progress. We have developed a comprehensive policy to strengthen our prevention efforts, enhance the support and care for victims of sexual assault, and increase system accountability. The Department's new Sexual Assault Prevention and Response policy demonstrates our commitment to building a climate of confidence, one that assures victims will receive the care they need, and one that instills in our servicemembers that this crime will not be tolerated.

A cornerstone of the Department's sexual assault policy is the establishment of guidelines for confidential, restricted reporting by victims of sexual assault. Restricted reporting allows a sexual assault victim, on a confidential basis, to disclose the details of his/her assault to specifically identified individuals and receive military medical treatment and counseling, without triggering the official investigative process. This fundamental change will encourage more victims to come forward to receive needed medical care and support, while providing commanders more situational awareness of the command climate.

Other core areas of the policy include specific guidelines for referring reports of sexual assault to investigative authorities; medical treatment and care for victims; a commander's checklist for response actions; enhanced reporting of sexual assault information; and expanding access to care through collaboration between military installations and local community support.

The Department's sexual assault policy will ensure there is uniformity in the standards of care and support for all victims of sexual assault throughout the military services, as well as rigorous training and education on how to prevent it. To further improve the Department's response to this critical issue, we will soon send you our report containing recommendations for amending the Uniform Code of Military Justice (UCMJ) for sexual assault offenses.

The next steps for the Department will be conducting oversight and coordinating with the Services on the implementation and roll out of the different components of the new policy. We will continue to keep Congress informed on the progress being made as we meet key milestones in the Department's effort to fully implement our new Sexual Assault Prevention and Response policy.

Citizenship

The Department works closely with the Department of Homeland Security's Citizenship and Immigration Service to expedite citizenship applications for immigrants who serve honorably as members of our Armed Forces. Approximately 30,000 Active-Duty and 11,000 Guard and Reserve personnel are non-U.S. citizens. Over 20,000 military personnel have become U.S. citizens since September 11, 2001 and approximately 5,000 military personnel have citizenship applications currently being processed. The average time for processing expedited citizenship applications has been reduced from 9 months to approximately 60 days. We have worked closely with the Citizenship and Immigration Service to conduct naturalization interviews and swearing-in ceremonies in Afghanistan, Iraq, Germany, Korea, and Japan. The Department has also implemented a new policy to authorize emergency leave for servicemembers who need to finalize their naturalization.

Rest and Recuperation (R&R) Leave

Almost 160,000 servicemembers and DOD civilians have participated in the R&R Leave Program in support of OIF and OEF. The R&R Leave Program is vital to maintaining combat readiness when units are deployed and engaged in intense operations. Feedback from servicemembers participating in the R&R Leave Program

indicates it is a successful program offering servicemembers a respite from hostile conditions, an opportunity to leave the Area of Responsibility (AOR), release stress, spend time with their family/friends and return reenergized. R&R Leave will continue to be offered to military members and DOD civilians deployed in Central Command (CENTCOM) AOR in support of the global war on terrorism at the discretion of the theater commander.

DOD Civilians

Human Capital Planning

It is only through the integration of DOD civilian employees that we can realize the potential of a total force. The Department continues to make strides in our strategic human capital planning, by ensuring that human capital investments are focused on long-term issues. These guiding principles are continually reviewed and refreshed in the Department's Human Capital Strategic Plan. Our 2002–2008 plan identifies the tools, policies, programs and compensation strategies needed for the future. This allows us to position the Department as the employer of choice by identifying new ways of doing business based on new missions and technologies, thus ensuring the right programs are in place to develop the leaders necessary to meet evolving needs. This is reflected in the Department's 2004 President's Management Agenda scorecard results, where "green" (a "success" grade) was achieved in progress toward human capital implementation.

The role of the Defense civilian is changing. Thousands of civilian employees have voluntarily put themselves in harm's way to support the global war on terrorism. Civilians are an integral and essential part of our total force structure. The Department depends on their skills and expertise. Agile military forces need agile support from DOD civilians. The Department will maximize this agility through implementation of the National Security Personnel System (NSPS). NSPS provides an opportunity to improve the effectiveness of the Department through a modern civilian personnel system that will improve the way we hire and assign, compensate and reward our employees. This modern, flexible, and agile human resource system will be responsive to the national security environment, while preserving employee protections and benefits, as well as the core values of the civil service.

The Department will begin to implement NSPS as early as July 2005. NSPS design and development has been a broad-based, participative process involving key stakeholders, including employees, supervisors and managers, unions, employee advocacy groups, and various public interest groups. Employees slated for conversion will be included in groupings called Spirals. Spiral One will include approximately 300,000 General Schedule, U.S.-based Army, Navy, Marine Corps, Air Force, and other DOD civilian employees and will be rolled out in three phases over an 18-month period beginning as early as July 2005. The labor relations and appeals provisions of NSPS will be implemented across the Department this summer as well.

Acquiring, Developing, and Retaining Civilians

The Department's civilian workforce is a unique mix of employees providing support to DOD's national security and military mission. The Department continues to face an enormous challenge in recruiting talent in a highly competitive labor market. Our challenge is not attracting sufficient applicants, but attracting the right applicants. Technological advances, contract oversight, and complex missions have generated the need for more employees with advanced education and greater technical skills. Inability to hire the right civilian talent quickly and efficiently would put at risk the vital capabilities needed to support our military. Additionally, there must be a very active campaign for recruitment of a diverse workforce. We take seriously the responsibility to foster and promote an environment that is attractive to individuals from all segments of society. Our strategic plan focuses on the recruitment of entry-level, minority, disabled, and female applicants.

This year, the Department has launched a special campaign to reach the disabled men and women who bravely fought and served on behalf of our Nation. We are committed to providing every disabled veteran who wants to serve our country as a DOD civil servant the opportunity to do so. The Department offers over 700 diverse, challenging, and rewarding occupations for those who want to continue to serve their country as a DOD civilian employee. We introduced a new Defense Web site especially for disabled veterans—www.DODVETS.com. This Web portal serves as a resource of employment information for veterans and their spouses as well for managers. We are also working with the Department of Labor's Veterans' Employment and Training Service's (VETS) REALifelines initiative, which is designed to provide individualized job training, counseling, and reemployment services to veterans seriously injured or wounded in the global war on terrorism.

We have dedicated an office within the Department to help us transform the way we attract and hire talented civilian employees. Our nationwide recruitment campaign takes us to college and university campuses where we personally invite talented individuals to serve the Department. Through technology, largely the Internet, we educate and interest talent from a variety of sources. Our exciting internship programs, while still too modest, continue to entice and infuse specialized and high-demand talent into our workforce.

Workforce planning takes on a special importance with the expected exodus of Federal employees over the next decade. Significant to this equation are DOD career Senior Executive Service (SES) members, 67 percent of whom are eligible to retire in 2008.

The Defense Leadership and Management Program (DLAMP) is important to DOD readiness, providing a vehicle to mature a cadre of future civilian leaders with a joint perspective on managing the Department's workforce and programs. Through a comprehensive program of Professional Military Education, formal graduate education, and courses in national security strategy and leadership, DLAMP ensures that the next generation of civilian executives has the critical skills to provide strong leadership in a joint environment in challenging times. To take maximum advantage of DLAMP results, DOD is working with the Office of Personnel Management (OPM) toward final approval to establish DLAMP as the DOD Candidate Development Program (CDP). This achievement will provide a major benefit to our SES candidate pool.

As we work toward an environment where safety is paramount for our employees, the Department is establishing the Pipeline Reemployment Program. The program enables partially recovered employees with job related injuries and illnesses to return to work. The program supports the President's Safety, Health, and Return-to-Employment (SHARE) initiatives by assisting each Department installation in reducing lost days resulting from injuries. DOD organizations will have resources and funding to reemploy partially recovered injured employees for up to 1 year. Returning injured employees to suitable productive duty, as soon as they are able, improves that employee's sense of value to the organization while minimizing the cost of workers' compensation disability payments.

Civilian Force Shaping

A number of initiatives are and will impact the size and shape of the Department's civilian workforce. The most significant items are upcoming Base Realignment and Closure (BRAC), global repositioning of deployed military and civilians, competitive sourcing, and military-to-civilian conversions. To mitigate the impact of these force-shaping initiatives on our civilians, we are reviewing our transition initiatives to ensure drawdowns and reorganizations are handled strategically, not only to take care of our employees, but to make sure we maintain and continue to recruit the talent needed to support the Department's mission.

To date, the Department has accounted for the vast majority of the downsizing of the Federal workforce. Between the beginning of fiscal year 1989 and through the end of fiscal year 2004, DOD has reduced its civilian employment by over 421,000 positions. In support of these upcoming initiatives the Department will build and improve upon current transition tools, including the Priority Placement Program, Voluntary Separation Incentive Pay, the Voluntary Early Retirement Authority program, and Voluntary Reduction in Force authority.

The Department will continue to seek regulatory and legislative changes to assist employees affected by these actions in transitioning to other positions, careers, or to private life. We are establishing employment partnerships with Federal agencies, State, county, and local governments, trade and professional organizations, local Chambers of Commerce, and private industry. Our goal is to provide comprehensive transition tools and programs that take care of our employees and their families.

KEEPING THE FORCE HEALTHY AND READY

A servicemember's career in the Armed Forces is book-ended by his or her accession and separation (or retirement). In between, while a part of the force, the Department is responsible for planning for his or her health, safety, readiness, and training. The preparation, forethought, and funding required to see that every soldier, sailor, airman, and marine is fit and ready to fulfill his obligation, is absolutely essential.

Readiness and Training

Readiness Assessment and Reporting

Today we face the challenge of sustaining a significant demand for our forces without inflicting undue stress. To do so effectively, we need visibility into the current status and capabilities of forces across the Department. This year we deployed the first spiral of our new Defense Readiness Reporting System (DRRS) that provides the first step toward this visibility. DRRS contains near real time assessments of military capabilities in terms of the tasks or missions that they are currently able to perform to the availability of specific personnel and equipment. Our partnerships with United States Joint Forces Command (JFCOM), United States Pacific Command (PACOM) and the Navy have produced working, scalable versions of measurement, assessment and force management tools over the past year. This year we will continue to add more data describing the structure, status and location of military forces. DRRS will integrate inputs from the training transformation initiative's joint assessment and enabling capability to capture joint training readiness. We will also expand our force management tool suite including more robust capability query tools. Development of DRRS will continue through 2007.

Secretary Rumsfeld's Mishap Reduction Initiative

Since taking office, Secretary Rumsfeld has sought to change how the Department of Defense views the safety of its military personnel and civilian employees. Our goal is zero preventable mishaps and we have taken a major step in that direction. In a May 2003 letter to the Department's leadership, Secretary Rumsfeld challenged the Department to reduce the number and rate of mishaps by 50 percent by the end of fiscal year 2005.

The USD(P&R) chairs the Defense Safety Oversight Council. The Safety Council is an assembly of the Department's upper management focusing on reducing preventable accidents and increasing the Department's operational readiness. Our Council meets bimonthly to provide governance to our accident reduction efforts and ensures that the senior leadership is personally involved.

The direct cost of accidents in the Department is over $3 billion per year. These costs are attributable to aviation and ground accidents, civilian workers' compensation claims, and military injury treatments. Even modest reductions in the mishap rate provide enormous savings across the board. For example, in fiscal year 2004, 26 fewer aircraft were destroyed than in fiscal year 2002; saving both lives and millions of dollars. We still have more work to do in reducing military injuries, and have a special focus on our number one category of military non-combat fatalities, i.e., private motor vehicles.

With your support, we strive to provide the best military equipment in the world and ensure that it is safe to operate. We believe that body armor, helmets and protective vests, are reducing both hostile and accidental serious injuries. Historically, about half of the Army 's wartime losses were due to accidents; in OIF, about 26 percent of the losses result from preventable mishaps. I believe our goal of zero preventable mishaps is achievable and we will continue to pursue an accident free culture. We are a world-class military and preventable accidents will not be tolerated.

Range Sustainment

Continued and assured access to high-quality test and training ranges and operating areas plays a critically important role in sustaining force readiness. Urban sprawl, loss of frequency spectrum, restrictions on air space, and expanding environmental regulations on training lands increasingly restrict test and training flexibility. Over the past several years, we have discussed these problems with Congress, and we appreciate your concern and assistance in achieving meaningful solutions. We will continue to work closely with you as we grapple with how best to sustain our training capabilities at the same time we seek to transform our Armed Forces.

The DOD Range Sustainment Integrated Product Team (IPT), a cooperative defense-wide effort, is pursuing a comprehensive agenda to relieve encroachment pressures on test and training ranges and ensure their long-term sustainability. Through the IPT, DOD is developing policy, overseeing range programming, assessing organization and leadership challenges, conducting outreach, and pursuing legislative and regulatory clarification. In addition, by partnering with state and local governments, conservation groups, and other like-minded organizations, the Department is committing energy and resources to creating buffers and ensuring compatible land use around our ranges to provide lasting protection against incompatible development. This work is beginning to show results, and the Department is committed to following through on this cooperative approach.

Transforming DOD Training

Our ability to successfully defend our Nation's interests relies heavily upon a military capable of adapting to rapidly changing situations, ill-defined threats, and a growing need to operate across a broad spectrum of conventional and unconventional missions. The operational environment of the 21st century demands that we build upon these capabilities in a joint environment. Joint training reflects our expanding efforts to train more effectively with interagency, intergovernmental and multinational partners.

The Department's training efforts must be focused on melding world-class individual Service competencies into a cohesive, joint capability. Training is a key enabler of force transformation and the Training Transformation (T2) Program is vital to the Department's overall transformation efforts. We have implemented three supporting joint capabilities which, when mature, will enable DOD to build unparalleled, knowledge-superior and adaptable, joint forces.

First, the joint national training capability (JNTC) is preparing forces by providing command staffs and units with an integrated live, virtual, and constructive training environment, with joint global training and mission rehearsals in support of current operational needs. We achieved initial operational capability in October 2004 and our 18 fiscal year 2005 events will keep us on track to achieve full operational capability in 2009. We completed our first overseas JNTC mission rehearsal exercise in January in U.S. European Command.

We have conducted JNTC training events since January 2004. The top priority for JNTC events is mission rehearsal training. As a result, the training is replicating the real-world, increasing the number and diversity of opposing threats (civilian insurgents, improvised explosive devices); adding missions of increasing importance (joint information operations); and incorporating higher fidelity training environments through the use of Arab speaking role-players and other enhancements. Through the leadership of U.S. Joint Forces Command's Joint Warfighting Center, we are adaptively inserting lessons learned from OEF and OIF into events. During our next JNTC event, our forces will hone their joint warfighting skills in joint fire support operations, joint air and missile defense operations and other challenging joint training tasks that were and are being used on the battlefields of Afghanistan and Iraq.

Second, the Joint Knowledge Development and Distribution Capability (JKDDC) is working to prepare individuals for assignment to combatant commands by developing and distributing joint knowledge via a dynamic, real-time, global-knowledge network that provides access to joint education and training. JKDDC's foundation is anchored in the successes we have achieved with our advanced distributed learning initiative and the sharable content object reference model (SCORM) standard. We declared initial operational capability this January. The JKKDC Joint Management Office will distribute our initial 12 courses in August 2005 and complete another nine courses by this December. Two representative courses are COCOM Staff Officer 101 and Joint Task Force (JTF) 201—the combatant commands' two top priorities for fiscal year 2005.

Third, the joint assessment and enabling capability (JAEC) will enable us to determine the training value provided by JNTC and JKDDC with regard to combatant commander needs; how well T2 is integrated with Defense-wide policies, procedures, and information systems; and, to what degree are the outcomes of T2 aligned with the Department's strategic force transformation goals. In 2005, we will conduct the first of three block assessments to determine the state of our initial T2 efforts. The assessments will evaluate training and management initiatives and activities, and recommend strategic and programmatic changes to better enable training readiness.

Finally, the Training Transformation Interagency, Intergovernmental, Multinational Mission Essential Tasks (TIM2) Task Force is a collaborative effort between my staff and the Office of the Under Secretary of Defense (Policy) to better integrate DOD capabilities in support of other Federal entities, including the Departments of State and Homeland Security.

The Military Health System

Funding

Defense Health Program (DHP) costs will continue to grow during fiscal year 2006 when eligible beneficiaries who previously did not use the Military Health System (MHS) start to use the TRICARE benefit. This increase in new users will be coupled with increases in health care inflation, increases in the utilization of health care services by DOD beneficiaries, and new benefits enacted in the NDAA for Fiscal Year 2005.

The Department has initiated several management actions to use resources more effectively and thus help to control the increasing costs of health care delivery. The MHS is implementing performance-based budgeting that focuses on the value of health care provided instead of the cost of health care delivered. An integrated pharmacy benefits program, including a uniform formulary based on relative clinical and cost effectiveness, is being established. Discounted Federal pricing of pharmaceuticals in the TRICARE retail pharmacy program will be used to generate cost avoidance. We have established new TRICARE regional contracts to streamline our managed care support contracts and reduce administrative overhead. Utilization management programs continue to ensure that all provided care is clinically necessary and appropriate.

We need your assistance by restoring the flexibility to manage DHP resources across budget activity groups. Our new health care contracts use best-practice principles to improve beneficiary satisfaction, support our military treatment facilities (MTFs), strengthen relationships with network providers and control private sector costs. Our civilian partners must manage their enrollee health care and can control their costs by referring more care to our MTFs in the direct care system. In concert with the new contracts, we are implementing a Prospective Payment System to create the financial incentive for our MTFs to increase productivity and reduce overall costs to the Department. Funds will flow between the MTFs and the private sector based on where the patient care is delivered. Currently, MTFs' enrollee care funds (revised financing funds) are in the private sector budget activity group. Fencing DHP In-House Care funds inhibits the Department's ability to provide the TRICARE benefit in the most accessible, cost effective setting, particularly during time of war when MTFs frequently lose health care providers to support contingency operations. We understand and appreciate the congressional intent to protect direct care funding; however, congressionally imposed restrictions fencing the DHP funds adversely affects both the MTFs and care in the private sector. We urge you to allow the MTFs and the MHS to manage the DHP as an integrated system. Funds must be allowed to flow on a timely basis to where care is delivered.

TRICARE

The TRICARE military health plan is a key component in the Department's readiness mission, providing essential services to ensure continuity of health care services to all beneficiaries as the needs of the military and the Nation change.

Throughout 2004, we successfully completed the consolidation of 12 geographic regions and seven regional managed care contracts into three regions and three managed care contracts. We "carved out" some of the major elements of the old TRICARE contracts into separate contracts to take advantage of contractors' core competencies. Specialized companies with extensive experience in pharmacy, dental, marketing and claims processing have successfully assumed these responsibilities from the old legacy regional contracts. These changes allowed us to streamline our management and put performance improvements in place.

This design introduces an even stronger customer service focus, provides beneficiaries with easier access to care through expanded networks, addresses portability issues, applies best commercial practices, supports optimization of our MTFs and strengthens relationships with network providers, bringing world-class benefits to more than 9 million beneficiaries.

Military medical facilities remain at the core of the MHS, and the new TRICARE structure promotes increased involvement of the military commanders in determining the optimum approach to health care delivery within each region. Military commanders' accountability has been enhanced with increased responsibility for patient appointing, after hours assistance, and local telephone advice lines. The three new Regional Directors have been appointed, either a Flag officer or a Senior Executive, and are actively engaged in managing and monitoring regional health care with a dedicated staff of both military and civilian personnel. They are strengthening existing partnerships between the Active-Duty components and the civilian provider community to help fulfill our mission responsibilities.

Although during the transition to the new contracts, TRICARE experienced some initial start-up problems, all of the contractors worked diligently to ensure that beneficiaries continued to have access to health care. I am happy to say that performance in all critical aspects of health care delivery is returning quickly to the high standards our beneficiaries deserve and have come to expect.

We believe that with these improvements in our health care delivery system, we can continue serving our beneficiaries with increasing efficiency to meet the growing health demands of Active-Duty members, the retiree population, the Reserve components and all eligible family members.

Force Health Protection

Force Health Protection has a broad compilation of programs and systems designed to protect and preserve the health and fitness of our servicemembers from their entrance into the military, to their separation or retirement, and follow-on care by the VA. Preventive measures, environmental surveillance and advances in military medicine have supported our worldwide operations with remarkable results. Despite deployments to some of the most austere environments in the world, we have seen far-forward surgical care save many lives, as well as the lowest rates of non-battle illnesses and injuries in the history of warfare. This is the result of increased focus, resources, line commitment and servicemember education.

Health Assessments. We ensure a healthy force through high medical standards at the time of accession, periodic medical and dental examinations, routine and special-purpose immunizations, and ready access to high quality health care. Servicemembers receive pre-deployment health assessments to ensure they are fit for deployment and post-deployment health assessments to identify any health issues when they return. Deployment health records are maintained in the individual's permanent health record and electronic copies of the health assessment are archived centrally for easy retrieval. We have an aggressive quality assurance program to monitor the conduct of these assessments. Most recently, we have laid the groundwork for a post deployment health reassessment to be conducted 3 to 6 months after deployment.

Immunization Programs. Protecting our forces involves countering potential health threats. The most important preventive health measures in place for our servicemembers today—immunization programs—offer protection from diseases endemic to certain areas of the world and from diseases that can be used as weapons. These vaccines are highly effective and we based our programs on sound scientific information that independent experts have verified. They are essential to keep our servicemembers healthy.

Medical Technology on the Battlefield. Last year we introduced elements of the Theater Medical Information Program and Joint Medical Work Station to OIF. These capabilities provide a means for medical units to electronically capture and disseminate near real-time information to commanders. Information provided includes in-theater medical data, environmental hazards, detected exposures and critical logistics data such as blood supply, beds and equipment availability. New medical devices introduced to OIF provide field medics with blood-clotting capability while light, modular diagnostic equipment improve the mobility of our medical forces, and individual protective armor serves to prevent injuries and save lives.

Medical Hold. We are committed to deploying healthy and fit servicemembers and to providing consistent, careful post-deployment health evaluations with appropriate, expeditious follow-up care when needed. A consequence of this commitment is more servicemembers under medical treatment focused on returning them to a medically-qualified status for military service.

Individual Medical Readiness. Among the many performance measures tracked within the MHS is the medical readiness status of individual members, both Active and Reserve components. For the first time, the MHS will track individual dental health, immunizations, required laboratory tests, deployment-limiting conditions, Service-specific health assessments, and availability of required individual medical equipment.

Mental Health Services. Care is available for all servicemembers and to their families before, during, and after deployment. Servicemembers are trained to recognize sources of stress and the symptoms of depression, including thoughts of suicide, in themselves and others that might occur during deployment. Combat stress control and mental health care is available in theater. Before returning home, servicemembers are briefed on how to manage their reintegration into their families, including managing expectations, the importance of communication and the need to control alcohol use. During redeployment, the servicemembers are screened for signs of mental health issues, including depression and Post Traumatic Stress Disorder (PTSD). The screening process will be repeated at 3–6 months after return; Service implementation plans are due in mid June 2005 and the survey process is expected to begin by mid August 2005. After returning home, help for any mental health issues that may arise, including depression and PTSD, is available through the Military Health System for Active-Duty and retired servicemembers, or through the VA for non-retired veterans. TRICARE is also available for 6 months post-return for Reserve and Guard members. To facilitate access for all servicemembers and family members, especially Reserve component personnel is the Military OneSource Program—a 24/7 referral and assistance service available by telephone or on the Internet.

Transition to VA. I am especially pleased with our work with the Department of Veterans Affairs for the seamless, responsive and sensitive support to soldiers and marines as they return to duty or transition from Active-Duty to veteran status. An important aspect of this transition is having the individual medical records available when a separated servicemember presents at a VA hospital for the first time. We made significant strides forward by transferring to DOD electronic health information of servicemembers who leave Active-Duty to a central repository at the VA Austin Automation Center. Through this repository, VA clinicians and claims adjudicators have access to DOD laboratory results, radiology results, outpatient pharmacy data, allergy information, discharge summaries, consult reports, admission, disposition and transfer information, elements of the standard ambulatory data records and demographic data. To date, we have transferred this electronic health information on more than 2.9 million separated servicemembers to this repository, and the VA has accessed more than 1 million of those records. We believe that this collaborative effort with the VA has been going extremely well and together, the DOD and VA are improving services to our veterans.

DOD–DVA Sharing

DOD works closely with the VA at many organizational levels to maintain and foster a collaborative Federal partnership. We have shared health care resources successfully with the VA for 20 years, but many opportunities remain. In the past year, DOD and VA have developed and improved a number of joint planning efforts. For instance, the 2005 Joint Strategic Plan (JSP) builds upon success of the April 2003 JSP. Each goal, objective and strategy in the previous plan was reviewed to reflect the current climate of DOD/VA joint collaboration.

DOD and VA are implementing the Demonstration Site Projects and the Joint Incentive Fund (JIF) required by Sections 721 and 722 of the NDAA for Fiscal Year 2003. The demonstration sites are submitting quarterly interim project reviews to the VA/DOD Joint Utilization/Resource Sharing Work Group and are finalizing their business plans. In this past year, the Financial Management Work Group under the VA DOD Health Executive Council (HEC) recommended 12 projects to the HEC for JIF funding for a total combined cost of $29.9 million.

To ensure OEF and OIF veterans experience continuity of care, DOD participates on the VA's Seamless Transition Task Force. DOD is coordinating with VA's Seamless Transition Office to finalize a memorandum of understanding to define protected health information data sharing activities between DOD and VA.

In the coming year, the VA DOD Joint Executive Council will focus on achieving greater collaboration, service and assistance to our severely injured veterans from OIF and OEF, as well as on our capital planning and facility life-cycle management efforts to benefit all of our beneficiaries and the American taxpayer.

TAKING CARE OF THE FORCE AND THEIR FAMILIES

The Modernized Social Compact

The first Social Compact, published in 2002 reiterated the compact between the Department, its warfighters, and those who support them—it affirmed the Department's commitment to underwrite family support. Since the Social Compact is a living document, we continue to identify and address emerging American social changes where support to servicemembers and their families must be redefined. Now the updated Modernized Social Compact is the first effort to measure and publish outcomes for troop and family support programs. These measures are in support of the Secretary's Balanced Scorecard.

The global war on terrorism places new demands on every aspect of military life. From the anxieties of nation building in hostile environments to the significant increase in family separations, the stress currently impacting the military has not been of this magnitude since the inception of the All-Volunteer Force. We rely more heavily on the Reserve and Guard components and stress relationships with employers, and families in an unprecedented fashion.

The Social Compact lays out a 20-year strategic plan for DOD to ensure that quality of life keeps pace with the changing expectations of the American workforce and addresses the needs of the two-thirds of military families living off the installation as well as the Reserve component. DOD is refocusing family support with state-of-the-art technology to connect to a wide array of quality of life support programs and organizations. One of the most exciting new developments is Military OneSource, a toll-free telephonic, Internet and e-mail information and referral service available 24 hours a day, every day of the year, from anywhere in the world.

Support to the Severely Injured and Their Families

Each of the Services has initiated an effort to ensure that our seriously injured servicemembers are not forgotten—medically, administratively, or in any other way. To facilitate a coordinated response, the Department has established a Joint Support Operations Center. We are collaborating, not only with the military Services, but also with other departments of the Federal Government, nonprofit organizations, and corporate America, to assist these deserving men and women and their families.

The center, operated under the aegis of the Office of Military Community and Family Policy, provides personalized assistance, tailored to meet an individual's unique needs during recovery and rehabilitation, to include:

- Education, training, and job placement
- Personal mobility and functioning
- Medical care and rehabilitation
- Home, transportation, and workplace accommodations
- Personal, couple, and family issues counseling
- Financial resources

Twenty-four hours a day, 7 days a week, 365 days a year, we are a toll-free phone call away. We provide a venue for each of the separate programs to be successful, while ensuring that there is no gap—that all severely injured servicemembers and their families receive the necessary support. The Center provides a central point of contact for information and support.

In addition to the support provided through the operations center, advocates are assigned at or near major military and Veterans Affairs medical facilities to provide any hands-on assistance with their transition. These advocates are available to the severely injured and their families as they make their transition into communities, helping them connect with local agencies and community groups.

A number of our severely injured servicemembers will be able to return to duty, thanks to their dedication and commitment, and the phenomenal quality of military medicine. Some, however, will transition from the military and return to their hometowns or become new members of another civilian community. These are capable, competent, goal-oriented men and women—the best of our Nation. We are ensuring that during their rehabilitation we provide a "case management" approach to advocate for the servicemember and his or her family. From the joint support operations center here, near the seat of government, to their communities across America, we are with them. This will continue through their transition to the VA, and the many other agencies and organizations providing support to them.

Military Casualty Assistance

When a military member dies, our first concern is to inform the next-of-kin in a manner that is accurate, timely, efficient, and highly respectful. Our military casualty assistance program is highly developed and well suited to perform this difficult task effectively. Notification is made in person by Casualty Assistance Office (CAO) personnel who are customarily accompanied by a chaplain.

Casualty Assistance Office personnel stay with the family following notification of the loss, through funeral preparations, burial, and the entire process of determining benefits and compensation. They provide valuable counsel and support to the families, arranging for the military funeral (if desired), offering solutions when problems arise, and ensuring that the families receive the benefits and compensation due them. The families know that they can contact their CAO representative at any time, even long after the servicemember's death. We often hear from the families that they consider their CAO representative "part of the family."

The Department continues to explore new methods and procedures to better support family members during the most tragic of times, the loss of their loved one in service to our Nation. One initiative is the expedited claims process in partnership with the Social Security Administration. It has been extremely successful in providing swift financial assistance to our families. A special toll free number allows applicants and casualty assistance officers to call when they are ready to file. The final results of the pilot program show the average claims processing time dropped from several weeks to an average of just over 2 days time. We established a similar arrangement with the Department of Veterans Affairs several years ago. That program, has also significantly expedited the delivery of compensation and benefits to our families who have suffered the greatest loss.

Taking Care of Families of the Deployed

The fiscal year 2005 emergency supplemental funding request includes $83 million to provide family support to Active-Duty members and their families and to assist severely injured servicemembers and their families during recovery and reha-

bilitation. The Department received $108 million in emergency supplemental funding in fiscal year 2003 and fiscal year 2004. This funding was combined with other funds to support families in a variety of ways.

As the number one service families require during deployment, the Department provided $53 million, over 2 years to help thousands of families manage work schedules while one parent was gone, to extend child care to cover additional work shifts, and to offer a parent time to take care of other family business.

In the past 2 years, the Department used $64 million of supplemental funding to institute non-medical counseling for servicemembers and their families experiencing the normal stress of frequent deployments, family separation and reunion. Access to counseling assists Active-Duty, Guard, and Reserve family members during this time of high perstempo and lengthy deployments. Families who need face-to-face assistance can schedule counseling from a licensed counselor within their immediate geographic area in the continental United States. This is particularly important for remote families of mobilized Guard and Reserve units who may also have a deployed servicemember and may live a great distance from the programs provided on installations. We were flexible enough to also deploy teams of professional counselors to 10 locations outside the continental United States as we did to support the families of the 1st Armored Division (AD). In fiscal year 2004, when families from the 1st AD were informed their spouses would be extended in theater, $1.9 million in supplemental funding was provided to help ameliorate the stress on families. Funding was used to provide family group support, youth programs, family day care, extended hour child care, and youth summer hire program.

Military OneSource

"Military OneSource" provides a customized approach to individual information and referral services for military families. "Military OneSource" is an augmentation, not a replacement, for the family centers, and it brings services to all members of the Armed Forces. This includes Reserve and National Guard members and families who do not live on military installations, and often can't take advantage of what DOD has to offer. This service provides all of our servicemembers and families with immediate information concerning support available on the installation or in their community. The toll-free telephone, e-mail, and Web site all include information and referrals on parenting and child care, education, deployment and reunion, military life, health, financial, relocation, everyday issues (i.e. pet care, plumber), work and career to name a few. Each of the military Services has fully implemented the Service. The Marine Corps was first to stand-up the program and now all the Services enjoy positive feedback and results.

Family Assistance Centers

Most of the stress faced by military families prior to and during deployment involves expectation management and revolves around accurate and timely information. To address the stress of mobilization, deployment and reunion, the Services have developed Web sites, provided information materials, and reached out to families through family center staff, chaplains, and unit-based volunteers.

Each of the military departments has a highly responsive family support system to help families cope with the demands of military life. The cornerstone is a worldwide network of installation family centers. Located at roughly 300 Active military installations worldwide, the centers provide a wide range of services supporting commanders, military members, and families. There is information and education on family well-being, assistance for families with special needs, resources for spouse employment, and support during deployment.

Today, families have multiple sources that may support them while their servicemember is deployed. Thanks to the National Guard Bureau, over 400 family assistance centers provide outreach not only to Guard and Reserve families that are not located near an installation, but they also support the large number of Active service and family members who reside off the installation. Unit Family Readiness Groups, staffed by volunteers, actively maintain communication with families in outlying areas through newsletters, websites, and direct communication to enhance unit-to-family communication

In my travels, I make it a point to meet with family support staff and volunteers. Across the board, whether talking to Army Family Readiness Groups, Air Force Readiness Noncommissioned Officers in the Family Support Centers, Navy Ombudsmen or Marine Corps Key Volunteers, I find a cadre of dedicated professionals who can address the needs of family members.

Domestic Violence/Victims Advocacy

Domestic violence will not be tolerated in the Department of Defense. It is a crime and an offense against our institutional values and commanders at every level have

a duty to take appropriate steps to prevent it, protect victims, and hold those who commit such acts accountable. We have initiated implementation of 82 of the nearly 200 Domestic Violence Task Force recommendations, focusing first on recommendations pertaining to victim safety and advocacy, command education, and training key players who prevent and respond to domestic violence such as law enforcement personnel, health care personnel, victim advocates, and chaplains.

We worked closely with Congress to create or change legislation pertaining to transitional compensation for victims of abuse, shipment of household goods for abused family members, and a fatality review in each fatality known or suspected to have resulted from domestic violence or child abuse. During the past year the Department issued additional domestic violence policy including protocols for establishing effective command and law enforcement responses to domestic violence and established protocols for the Domestic Abuse Victim Advocate program.

In partnership with the Office on Violence Against Women of the Department of Justice, we accomplished several joint initiatives that include training for literally hundreds of law enforcement professionals, victim advocates, chaplains, and fatality review team members who will positively influence the lives and behavior of thousands of individuals. As a part of our collaboration with the Department of Justice, we are conducting demonstration projects in two communities near large military installations. The goal of the projects is to develop a coordinated community response to domestic violence focusing on enhancing victim services and developing special law enforcement and prosecution units. MacDill Air Force Base and Lackland Air Force Base are participating in the President's Family Justice Center Initiative. We know that military and civilian collaboration is critical to an effective response to domestic violence since the majority of military members and their families live off the installations.

We are also working with the Family Violence Prevention Fund to develop a general domestic violence public awareness campaign and with the National Domestic Violence Hotline to increase awareness of the Hotline as a resource for victims and their families. Finally, $7.5 million (fiscal year 2004) was used to provide access to on-call victim advocates and emergency shelters to assist victims of domestic violence.

We are pleased with the progress we have made but realize there is more work to be done. We are working to ensure that the policies we implement are viable across all Services in the continental United States and overseas, and minimize the possibility of unintended consequences that compromise the safety of domestic violence victims and their children. We collaborate closely with those who are responsible for implementing the policies we write to maximize their effectiveness across the Department.

Financial Stability

DOD has embarked on an initiative that combines educating servicemembers and their families on using their finances wisely with expanding employment opportunities for military spouses. Designed to enhance education and awareness, with the support of 26 Federal agencies and non-profit organizations we have begun to see positive changes in the self-reported assessment of the financial condition of servicemembers. The lessons learned through this campaign will be shared with the National Commission for Financial Literacy and Education to assist the Commission in developing a financial literacy strategy for the Nation.

In addition to these collaborative efforts, we have worked with State representatives and several have introduced legislation to protect servicemembers and their families from the predatory and usury aspects of payday lending. For example, in 2004, Georgia enacted legislation that limits the maximum annual percentage rate that can be charged, prevents payday lenders from using out-of-State bank charters to go around interest rate limits, and protects servicemembers and their families from certain predatory collection practices. Legislation has passed the Virginia Assembly that will parallel the servicemember protections enacted in Georgia. The California Department of Corporations has instituted a program called "Troops Against Predatory Scams," to assist servicemembers and their families residing in the state avoid predatory activities and assistance if they become involved.

We are employing a similar collaborative approach to improve employment opportunities of military spouses by partnering with Federal, state and local governments to address legislative and regulatory barriers that may inhibit financial stability and portability of jobs, and developing partnerships with government, non-profit and private sector organizations to increase the number of opportunities available to spouses to develop careers. Through these initiatives the Department seeks to enhance financial stability by promoting consistent reliable sources of income and the

ability to use it wisely to support quality of life needs and for attaining future life goals.

Spouse Employment

Spouse employment is important to both family finances and spouse career aspirations, not unlike non-military families. Military spouses are required to frequently relocate, making flexibility and reciprocity that honors licensing from other States all the more critical. Many of our spouses are qualified teachers and nurses and can meet a growing need for these professionals. The Department is engaged on numerous fronts to assist spouses in their careers, but States can propel and create links within this effort to ensure mutual success.

Military families often require two incomes to achieve their aspirations, similar to the needs of American families as a whole. Frequent moves can inhibit military spouses' ability to start and sustain a career, even though approximately 80 percent of military spouses have some college experience. Differing state requirements can limit advancement or deter re-entry into the workforce at a new location. Spouses often suffer long periods of unemployment and, therefore, loss of income. The Department has identified where there are licensing barriers and is developing policy recommendations for licensing/credentialing requirements across States for high demand, or shortage of, careers and jobs.

Quality of life for our military families is also defined by the successful employment of spouses. To succeed we will need the help of corporate America. Sixty-one percent of the 700,000 spouses of Active-Duty personnel are active in the workforce contribution to the family income.

An historic partnership agreement, signed by Secretary of Defense Rumsfeld and Secretary of the Department of Labor (DOL) Elaine Chao in July 2003, affords both Departments a unique prospect to increase employment opportunities for military spouses while enhancing the competitiveness of the American work force. DOD and DOL have made great strides in collaborative use of DOL's One-Stop Career centers and in creating a broad spectrum of Web-based services exclusively for military spouses, including the online Military Spouse Resource Center, www.milspouse.org. Additional enhancements are planned as a new "Military Spouse Career Center" will bring the vast job bank of Monster.com to the easy use of military spouses. Employers with a military-friendly focus, especially those that see military spouses as an important talent pool, will have their jobs spotlighted here. We are especially focused on teaching, nursing, real estate, and medical assistant fields careers of choice for many military spouses. Through Military OneSource, spouses will now have access to career counseling and personal assessment that will encourage them to reach for their dreams, as they identify their opportunities for more education, training or a new or advancing career options.

State Liaison

The Department has been collaborating with the Council of State Governments, the National Governors Association and others to address the needs of the military, Guard and Reserve members and families. Many States have recognized school transition and in-State tuition policies, spouse employment, and financial well-being as important to servicemembers and families, and have enacted legislation to better accommodate their needs.

Over half of the military is married and has children. Consequently, military often weigh assignments based on the quality of education offerings from the local school systems for their children. The mobile lifestyle creates tough challenges for children who often attend as many as 6 high schools or 13 schools in 12 years. This, added to the anxiety of parental separation during deployments, challenges us to ease transitions from school to school.

Support of children of military families is about ensuring educational opportunities are available to all and that current policies and practices do not penalize them. For example, providing some flexibility in accepting academics achieved in other school systems and in tryout times for teams and extra curricular activities. Transferring students need their records in a timely manner so that class assignments are properly made and the road to graduation is not interrupted. We are looking for collaboration between States, school districts, and military communities to facilitate these opportunities.

Since the mission of the military requires frequent moves, servicemembers come under numerous state policies that may hinder their educational choices. The cost of college attendance can be as much as four times in-State rates making education progression unaffordable. Twenty-five States (up from 10) currently have adopted state education policies for troops and families that allow in-State tuition to con-

tinue for children after military parents depart. In-State tuition is a great incentive to encourage servicemembers and their families to engage in higher learning.

Voluntary Educational Opportunities

We are proud of our commitment to fund to the fullest extent possible voluntary educational opportunities for servicemembers and their families. For military personnel, increased levels of coverage for the traditional off-duty, voluntary education program helped fund just under 900,000 enrollments last fiscal year and generated over 33,000 diplomas and college degrees. DOD reduced voluntary education out-of-pocket costs for troops attending college in their off duty time. Servicemembers now have up to 100 percent assistance or about $250 per semester hour of credit. Working with major book distributors, we have launched an effort, to reduce expenditures for the ever-increasing cost of books, which average about $800 to $900 annually per student.

To help spouses attend college at a reduced cost, we are working closely with the colleges and universities that provide degree programs for DOD overseas, to offer more scholarships, grants and reduced tuition to spouses who would like to pursue a degree while in theater. Collateral efforts continue to encourage existing relationships with the Service aid organizations and United Services Organization (USO).

Spouses want access to educational opportunities that generate degree and certificate programs that prepare them for enduring professional careers rather than just jobs. Frequent moves often preclude military spouses from achieving career advancement. DOD partners with the private sector and other government agencies to enhance spouse employment and career opportunities. The new "Spouses-to-Teachers" program, which is similar to the very successful Troops-to-Teachers program, helps military spouses achieve career goals, and helps local school districts meet their hiring needs. DOD works with States to expand reciprocity for credentialing requirements. A Spouses-to-Teachers test program provides information on degree and certification requirements from State-to-State, guidance on reciprocity for currently held certification, access to certification programs on line, information on teaching jobs in the States their family will be transferring to, as well as sources to contact for grants and scholarships to pursue a teaching career or recertification. If this test program proves as successful as we think it can be, we plan to expand it into new states this coming year.

Department of Defense Education Activity

The Department of Defense Education Activity (DODEA) has been an active partner in supporting students and families during the war. All schools within DODEA have crisis management teams to assist students and teachers during stressful times. Working in collaboration with military and civilian communities, they provide support before, during and after each deployment. Summer school was customized to meet the needs of the children of deployed members, and parents were very appreciative of the video-streaming of high school graduations for deployed members to view in Iraq. DOD schools are a model for the Nation and have embraced the President's "No Child Left Behind" initiative. Our students continue to perform well above the national average on standardized tests in all subjects (reading, language arts, math, science, and social studies).

The Department is proud of our school system and we continue to address quality issues in the areas of curriculum, staffing, facilities, safety, security, and technology. Our dependent schools comprise two educational systems providing quality pre-kindergarten through 12th grade programs: the DOD Domestic Dependent Elementary and Secondary Schools (DDESS) for dependents in locations within the United States and its territories, possessions, and commonwealths, and the DOD Dependents Schools (DODDS) for dependents residing overseas. Today, approximately 8,800 teachers and other instructional personnel serve more than 101,000 students in 223 schools. They are located in 13 foreign countries, 7 States, Guam, and Puerto Rico. Students include both military and civilian Federal employee dependents. To meet the challenge of the increasing competition for teachers, DOD has an aggressive U.S. recruitment program. The program emphasizes diversity and quality, and focuses on placing eligible military family members as teachers in its schools.

Elementary and Secondary Education Outside the Gate

The Department recognizes that quality education is a key factor in decisions to accept assignments for servicemembers and their families. There are approximately 692,000 school age children in Active-Duty families (1.3 million including the Reserves)—more than 101,000 in DODEA and 590,000 in a variety of schools in America. Military children move on average 2.5 times more often than their civilian counterparts.

The Department plans to work with Johns Hopkins University to identify and disseminate proven educational best practices and policies that can respond to the academic and affective needs of mobile military children. Further, educational consultants are building an information resource of educational options, such as home schooling, public, private, and charter schools, around military installations to provide military families a wide array of quality educational choices.

DOD has worked with renowned experts on terrorism, trauma and children, regarding publications, website information and program development for students of deployed families, their parents and teachers. All publications are on a special website designed to meet the needs of children of deployed parents, www.MilitaryStudent.org. We continue to work to provide national, state and local education agencies, schools, parents and health professions with an awareness of the issues, current best practices, and services to promote academic success.

Child and Youth Development Programs

The Department of Defense is the model for the Nation on employer supported child care. Child care is the number one service that families require in order to deploy and is also needed to allow spouses to pursue their own careers. The Department of Defense works constantly to ensure high quality child care is available and seeks ways to meet the child care need.

With the return of troops for rest and relaxation or the end of deployment, military installations with high deployment rates are experiencing an increase in births. Analysis of the infant population at military installations with high numbers of deployed servicemembers indicate births have increased 15 percent to 53 percent as a result of OEF/OIF. As a first priority, the needs of families living in high personnel tempo and high deployment locations will be addressed. The Services identified 4,403 spaces at 14 of these locations. The plan is to use temporary facilities as a stopgap measure.

To support families impacted by rebasing and to reduce the total child care shortfall, the Department is reviewing public private partnerships with civilian child care providers and providing incentives for in-home care providers on and off the installation. This approach has a potential to yield as many as 9,000 spaces by fiscal year 2011. Families are a critical deciding factor in retention and reenlistment decisions. The Department recognizes an investment in child care is also an investment in readiness and retention.

With the extensive number of parents deployed, it has been more important than ever to stay connected. Computer-connectivity and special kits help youth "stay in touch" and become involved in understanding the stages of deployment and the emotional challenges that they may experience. DOD recently developed a "Guide for Helping Youth Cope with Separation" as an additional resource.

Each youth responds differently to the challenges of military life and a variety of programs provide positive outlets and help youth channel feelings into personal growth rather than violent or destructive behavior. One supportive outlet is camping experiences, with an emphasis on leadership and understanding the military better. Private organizations such as National Military Family Association, with funding from SEARS, created a series of camps throughout the country, specifically for youth with a parent deployed. Boys & Girls Clubs of America have opened their doors to our military youth and provided wholesome recreation designed to help young people succeed in school, stay healthy and learn important life skills. A partnership between the Services and U.S. Department of Agriculture Extension Services/4H provides outreach to those youth whose parents are Reserve or National Guard or are not geographically located near a military installation.

Morale, Welfare, and Recreation Initiatives

The Services have implemented a broad assortment of Morale, Welfare, and Recreation (MWR) program initiatives specifically for forces deployed to fight the global war on terrorism and their family members. These include 170 free, MWR operated, Internet cafes in Iraq, computers and Internet service at home station libraries and youth centers to ensure families can send and receive e-mails from their loved ones who are deployed. Additional recreation packages include library book and periodical kits, recreation kits that with large screen televisions, DVD/CD players, up-to-date video games and game CDs, exercise equipment, sports equipment, pool and ping pong tables and first run movies.

Keeping in touch with family and friends is an important quality-of-life consideration for the deployed. It is a longstanding DOD practice for servicemembers to be able to make subsidized or free telephone calls home. The NDAA for Fiscal Year 2005 extended the requirement that prepaid phone cards, or equivalent telecommunications benefit, be provided without cost to servicemembers serving in

OEF/OIF until September 30, 2006. The frequency and duration of calls using official phones for health, morale, and welfare (HMW) calls are determined by the commander so as not to interfere with the mission. On average, 32,000 HMW calls are made each day; servicemembers in the OEF/OIF theaters generally average two calls per week.

The Armed Services Exchanges have mounted an information campaign to assist servicemembers, their families and friends to understand the unique challenges of communications during deployment, special programs supporting HMW and unofficial telecommunications, and lowest cost options available for communication during deployment. servicemembers will continue to receive current service and rate information throughout their deployment. Similarly, family members may access updated information through various military channels, including Web sites and family support programs. We expect that the "Help Our Troops Call Home" program will increase the donated support that the Secretary of Defense may accept in order to increase opportunities for calls home.

AT&T is under contract to the Armed Services Exchanges to supply the prepaid calling cards used in OIF/OEF and shipboard. On February 23, the Federal Communications Commission (FCC) rejected a petition from AT&T to exempt its "enhanced" telephone calling cards from Universal Service Fund (USF) contributions and intrastate access charges. However, nothing in the FCC ruling requires increases in the prices paid by consumers for prepaid calling cards. In fact, the FCC pointed out that other companies contribute to the USF and offer competitive rates.

Armed Forces Entertainment, in cooperation with the USO, continues to provide much welcomed celebrity and professional entertainment to our forces engaged in the global war on terrorism. Since May of 2002, the Robert and Nina Rosenthal Foundation has worked closely with the Country Music industry to provide celebrity entertainment at U.S. military installations at no cost to military personnel and their family members. The Spirit of America Tour provided 5 shows in 2002, 18 shows in 2003, and 21 performances in 2004. This initiative has been greatly appreciated by the bases that have received Spirit of America Tour performances, which are planned to continue through 2005.

Field Exchanges and Commissaries

There are 53 Tactical Field Exchanges, 33 exchange supported/unit run field exchanges, and 15 ships' stores in the OIF/OEF theaters providing quality goods at a savings, and quality services necessary for day-to-day living. Goods and services offered include phone call centers, music CDs, DVDs, laundry and tailoring, photo development, health and beauty products, barber and beauty shops, vending and amusement machines, food and beverages, and name brand fast food operations. Goods and services vary by location based on troop strength and unit mission requirements.

Our Reserve and Guard personnel have taken advantage of the full commissary benefits extended to them by the fiscal year 2004 NDAA. The commissary benefit is an important and valued component of non-pay military compensation and it is vital to the quality-of-life of all of our servicemembers.

Quality-of-Life in the Integrated Global Presence and Basing Strategy

The quality-of-life of military members and their families is considered a priority as the Department moves forward with rebasing and BRAC. Unlike previous drawdowns when the Department lost almost a million troops, this integrated global and basing strategy will not reduce the number of troops.

To maintain the Department's commitment to families, the Secretary, in a March 2003 memorandum to the Secretaries of the military departments, directed that "Candidate strategies must not concentrate on the operational dimension alone, but also on how to best improve quality-of-life." Service strategies must consider access to schools, education centers/libraries, family support, child care, youth programs, morale, welfare and recreation and fitness programs. From a quality-of-life perspective, DOD's planning approach for rebasing and BRAC is based on two principles: first, adequate quality-of-life funding will be reprogrammed from the losing to the gaining installations; and second, the military will look to civilian communities to augment programs and services (since two-thirds of families live in off-base communities). Service plans at the losing and gaining installations will be evaluated using a model that takes into account program specific operational funding requirements (baseline and enhancement per capita), capital investment, deficiencies, community support structures, unique Service characteristics, and civilian manpower requirements. The Department's goal is to ensure quality-of-life for servicemembers and families is not diminished during transformation efforts.

CONCLUSION

Mr. Chairman, in conclusion, I want to thank you and members of this subcommittee for your advocacy on behalf of the men and women of the Department of Defense. Whether the career of a member of the Total Force is measured in months or years, whether that career is spent in a Reserve component, an Active component, a combination of the two, or as a Department of Defense civilian, the Nation's gratitude for dedicated service is proved in your continued support and funding for the programs that keep the force strong and healthy.

Senator GRAHAM. General Hagenbeck.

STATEMENT OF LTG FRANKLIN L. HAGENBECK, USA, DEPUTY CHIEF OF STAFF FOR PERSONNEL

General HAGENBECK. Chairman Graham and Senator Nelson, thank you very much for the opportunity to appear before you this afternoon on behalf of America's Army.

The United States Army owes its success to the All-Volunteer Force, which provides the high quality, versatile young Americans we depend on to serve as soldiers. This is the first time in our history in which the Nation has tested the All-Volunteer Force during a prolonged war.

Determining what kind of All-Volunteer Army we need and developing the environment, the compensation, education, and other incentives to keep it appropriately manned may be our greatest single strategic challenge.

The soldier is the centerpiece of all that the Army is and will be doing. For those brave men and women, I want to express my sincere gratitude for your continued and committed support.

To win this war, we must recruit and maintain a quality force, soldiers who have a warrior's ethos ingrained in their character. Last year the Active and Reserve met their recruiting goals and the National Guard missed its goal. The global war on terrorism, lower propensity to serve, and negative feedback from influencers, coupled with the improving economy and the lower unemployment, present a very challenging recruiting environment for all of us.

Recruiting incentives such as the enlisted bonus program, the Army college fund program, the loan repayment program, and the National Call to Service (NCS) combined with an increase in recruiters, incentives, and advertising will help improve our ability to make our annual mission.

In the previous year, the Active Army achieved all its retention goals, a result that can be directly attributed to the Army's SRB program. The Reserve and the National Guard nearly achieved their overall retention objectives, both finishing around 99 percent of the yearly mission goals.

An important component of the Army's ability to retain quality soldiers is the selective reenlistment bonus. The bonus is offered to all soldiers deployed in Afghanistan, Iraq, and Kuwait, and it has been increased to a maximum of $15,000, and it has been very well received by our soldiers.

Congress supported needed pay raises and increases in special pays, such as hostile fire pay, as you mentioned, family separation pay (FSP), and critical skills retention bonuses. These increases significantly contribute to the soldier's overall well-being. With your support, the Army has the flexibility to encourage soldiers to serve in difficult-to-fill positions and less desirable assignments, as

well as retaining soldiers who hold critical, high-demand skills. These tools ultimately provide the Army the ability to continue to fight the war on terrorism and recruit and retain our quality force.

With your continued support, we will be able to compensate soldiers and their families wherever they serve and under all conditions. We will continue to care for our troops and their families whether they are healthy, injured, or suffering the loss of a loved one who has paid the ultimate price for freedom. We appreciate all your efforts on behalf of our soldiers.

In April 2004, the Army introduced the disabled soldiers support system (DS3) initiative to provide our most severely-disabled soldiers and their families with a system of advocacy and follow-up services. Now the DS3 program works closely with the Department of Veterans' Affairs (VA) and the new Military Severely Injured Joint Support Operations Center located in Arlington, Virginia to aid the severely-disabled soldiers. This combined effort on behalf of the DOD and each Service ensures a consistent level of support to severely-injured and wounded servicemembers and their families.

In closing, even though we have been very successful the last few years in recruiting and maintaining quality soldiers, to achieve the required temporary increase, the Army will continue to need broad incentive packages to shape the force and a renewed recognition that raising and maintaining an Army is a shared responsibility among all Americans.

Once again, thank you for the opportunity to appear before you today, and I look forward to answering your questions.

[The prepared statement of General Hagenbeck follows:]

PREPARED STATEMENT BY LTG FRANKLIN L. HAGENBECK, USA

Senator Graham, Senator Nelson, distinguished members of the committee, thank you for the opportunity to appear before you today on behalf of America's Army. The United States Army owes its success to the All-Volunteer Force, which provides the high-quality versatile young Americans we depend on to serve as soldiers. This is the first time in our history in which the Nation has tested the All-Volunteer Force during a prolonged war. Determining the kind of All-Volunteer Army we need and developing the environment, compensation, education, and other incentives to keep it properly manned may be the greatest strategic challenge we face.

The soldier is the centerpiece of all that the Army is and does. On behalf of those brave men and women, I want to express my sincere gratitude for your continued and committed support. As I speak to you today, approximately 640,000 soldiers are serving on Active-Duty. Of those, 315,000 soldiers are deployed or forward stationed in more than 120 countries to support operations in Iraq, Afghanistan, and other theaters of war, to deter aggression while securing our homeland. These soldiers are from all components: Active (155,000), Army National Guard (113,000), and Army Reserve (47,000). Soldiers participate in homeland security activities and support civil authorities on a variety of different missions within the United States. A large Army civilian workforce (over 250,000), reinforced by contractors, supports our Army—to mobilize, deploy, and sustain the operational forces—both at home and abroad. Our soldiers and Department of Army civilians will remain fully engaged across the full spectrum of the globe and we remain committed to fighting and winning the global war on terrorism.

The Army continues to face and meet challenges in the human resources environment. In recent years, congressional support for benefits, compensation and incentive packages has ensured the recruitment and retention of a quality force. Today, I would like to provide you with an overview of our current military personnel policy and the status of our benefits and compensation packages as they relate to maintaining a quality force.

RECRUITING

Recruiting soldiers who are confident, adaptive, and competent; able to handle the full complexity of 21st century warfare in this combined, joint, expeditionary environment is highly competitive and very challenging. The competition with industry, an improving economy, and lower unemployment coupled with a decrease in support from key influencers have added to the challenges of recruiting solid candidates.

As we projected, we have experienced monthly goal shortfalls for all components starting in February 2005. The Active component finished February 2005 at 73 percent accomplished with a year to date achievement of 94 percent. The United States Army Reserve finished February 2005 at 75 percent accomplished with a year to date achievement of 90 percent. The National Guard finished February 2005 at 69 percent accomplished with a year to date achievement of 74 percent. Though we may miss some monthly goals, the active Army is projected to make their annual mission. However, the annual missions for the Reserve and Guard are at risk.

INCENTIVES INCLUDE ENLISTMENT BONUSES, THE ARMY COLLEGE FUND, AND THE LOAN REPAYMENT PROGRAM.

The Army's recruiters are most effective when given the proper tools such as incentives and advertising. The recruiting environment remains a challenge in terms of economic conditions and alternatives. Therefore we have increased our resources, including additional recruiters, incentives, and advertising as necessary to compete in the current and future markets and to ensure annual goals are met.

Bonuses are the primary and most effective tool for MOS precision fill. The Army must maintain a competitive advantage to continue to attract high quality applicants. The Army offers a range of bonuses that pay up to $20,000 to qualified recruits. These bonuses are geared to the special needs of the Army and our applicants. The bonuses help us react to current market conditions and competitors, today and tomorrow. We are able to use the bonuses to target critical skills, the college market, and "quick-ship" priorities.

The Army College Fund is a proven expander of the high-quality market. College attendance rates are at an all-time high and continue to grow, with 68 percent of the high school market attending college within one year of graduation. The Army College Fund allows recruits to both serve their country and earn additional money for college.

The Army College fund primarily targets those who have not yet gone to college, the Loan Repayment Program is the best tool for those who have college education credits and student loans. The Loan Repayment Program, maximum of $65,000, is another expander of the high-quality market. In fiscal year 2004, 24 percent of our recruits had some college education credits.

ENLISTED RETENTION

Worldwide deployments and an improving economy potentially affect retention. All components closely monitor leading indicators including historic reenlistment rates, retirement trends, first term attrition, Army Research Institute Surveys, and Mobilization/Demobilization Surveys, to ensure we achieve total success.

Moreover, all components are employing positive levers including force stabilization policy initiatives, updates to the reenlistment bonus program, targeted specialty pays, and policy updates to positively influence retention program. Ultimately, we expect to achieve fiscal year 2005 retention success in the Active Army, the Army National Guard, and the United States Army Reserve.

The Active Army has achieved all retention goals for the past 5 years, a result that can be directly attributed to the Army's Selective Reenlistment Bonus (SRB) program and the patriotism of our soldiers. The Active Army retained 60,010 soldiers in fiscal year 2004, finishing the year 107 percent of mission. Both the Army Reserve and Army National Guard came in at 99 percent last year.

In fiscal year 2005, the Active Army must retain approximately 64,162 soldiers to build to desired manning levels. This is an increase of 8,000 over last year's mission and we are on glide path and ahead of last year's pace. We remain confident that we will achieve all assigned retention goals. Thus far, the active Army has achieved 101 percent of year-to-date mission, while both the Army Reserve and the Army National Guard have achieved 97 percent of year-to-date missions. A robust bonus program will facilitate achievement of our retention goals.

The Army fully supports a requested update to the Reserve component affiliation bonus. Current authority has been in force for several decades where a soldier receives $50/month to affiliate with a Reserve component unit. To incentivise soldiers when leaving the Active component to join a Reserve component unit, a supple-

mental request to the National Defense Authorization Act for Fiscal Year 2005 (NDAA) was submitted asking for an increase to the RC Affiliation Bonus to $10,000 for at least a 3-year commitment. This bonus will help the Reserve component meet end strength requirements with seasoned, prior service soldiers and in many case, battle-tested, combat veterans. Legislative Budget proposal package to include the same legislative change to NDAA for Fiscal Year 2006.

We continue to review our Reenlistment Bonus Programs and its association with the retention of sufficient forces to meet combatant commander and defense strategy needs. It is imperative for the Army to receive complete future funding of the SRB program to ensure program flexibility during the foreseeable future. Developing ways to retain soldiers directly engaged in the ongoing global war on terrorism is critical. We are now using an SRB-deployed as a tool to attract and retain quality, combat veteran soldiers. The SRB-deployed aggressively targets eligible soldiers assigned to units in Afghanistan, Iraq, and Kuwait. Soldiers can receive a lump sum payment up to $15,000 to reenlist while deployed to Afghanistan, Iraq, or Kuwait. All components are benefiting from this program and we are realizing increased reenlistments among deployed soldiers.

OFFICER RETENTION

The Army continues to monitor officer retention rates as an important component of readiness. Overall retention of Army competitive category officers in fiscal year 2004 decreased slightly at both the company grade and field grade ranks. The aggregate fill rate is at 101.3 percent. There was an increase in attrition for lieutenants and captains in fiscal year 2004, after a historically low attrition year in fiscal year 2003. The fiscal year 2004 attrition rate for lieutenants and captains was 8.5 percent, slightly above the average 7.3 percent but lower than the attrition witnessed in fiscal year 1999 and fiscal year 2000. I am encouraged that 1st quarter attrition in fiscal year 2005 came in slightly lower than fiscal year 2004.

The Army has steadily increased basic branch accessions beginning in fiscal year 2000 with 4000, capping at 4,600 for fiscal year 2005 to build a sustainable inventory to support Captain and Major requirements. We accessed 4,484 officers in fiscal year 2004. The Army can meet current and projected Active Army officer accession needs through current commissioning sources (Reserve Officer Training Corps, Officer Candidate School, United States Military Academy, and United States Army Recruiting Command). Reserve component lieutenant accessions present near- and long-term challenges, but the numbers have improved significantly over the past few years, and are expected to continue to improve.

STOP-LOSS

Based on the commitment to pursue the global war on terrorism and provide our combatant commanders with the cohesive, trained and ready forces necessary to decisively defeat the enemy, required us to re-institute the Active Army Unit Stop-Loss Program and to retain the Reserve Component Unit Stop-Loss Program currently in effect.

Department of Defense (DOD) guidance to the Services is to discontinue stop-loss policies as soon as operationally feasible. Consequently, our policy requires a quarterly review to determine continuation or termination. As of January 2005, the current stop-loss program affects a total of 13,445 soldiers of all components. We understand the stress this puts on individual soldiers and are employing force stabilization to reduce that number.

MILITARY BENEFITS AND COMPENSATION

Maintaining an equitable and effective compensation package is paramount in sustaining a superior force. A strong benefits package is essential to recruit and retain the quality, dedicated soldiers necessary to execute the National Military Strategy. In recent years, the administration and Congress have supported compensation and entitlements programs as a foundation of soldier well-being. An effective compensation package is critical to efforts in the global war on terrorism as we transition to a more joint, expeditionary, unit-centered, and cohesive force.

We have made tremendous strides in reducing median out-of-pocket housing costs for our soldiers. Basic Allowance for Housing (BAH) is intended to provide sufficient recompense to meet the average basic housing needs of all soldiers based on their regular military compensation. The fiscal year 2005 BAH reduces the median out-of-pocket expenses to zero. Thank you for your support. Our commanders have been instrumental in ensuring BAH program estimates and housing cost data collection are accurate thereby generating allowances to cover the average cost of adequate

housing. This ensures our soldiers and their families receive adequate allowances which makes housing in safe, prosperous communities affordable.

The Reserve components represent a significant portion of the capability of the Total Force, an essential element in the full spectrum of worldwide military operations. Both the Department and Congress recognize the importance of appropriate compensation and benefits for these soldiers. The National Defense Authorization Act for Fiscal Year 2005 amended many of the Reserve component bonus authorities allowing the department to offer programs similar to those for Active-Duty Forces to these critical soldiers. We continue to look for ways in working with Congress to provide compensation for the unique sacrifices these soldiers are asked to make in service to our Nation.

The Army continues to develop programs that address the unique challenges we face as an expeditionary force. The legislation authorized by Congress provides the flexible tools needed to encourage soldiers to volunteer for difficult to fill assignments in less desirable places or to extend their tours in these places. This past year the Department of the Army implemented Assignment Incentive Pay (AIP) for soldiers assigned to Korea. This program has been a tremendous success in providing soldier stability while enhancing readiness for units stationed in Korea. To date, over 12,000 soldiers: officer, warrant officer, and enlisted, applied to serve an additional 1 or 2 year tours resulting in increased stability, predictability and improved readiness in Korea while reducing personnel turbulence Army-wide.

The Army has used AIP as an incentive for voluntary and involuntary extensions for soldiers serving in Iraq and Afghanistan. Using AIP in this manner provides flexibility in maintaining unit stability and retaining the necessary soldier experience gained from serving in these countries.

The Army is using Critical Skills Retention Bonus (CSRB) to retain the valuable experience of our senior soldiers who are in high-demand, low-density critical skills such as explosive ordnance and special operations.

Congressional authorization for increased special pay for our warfighters has allowed the Army to take care of soldiers and their families serving in the most difficult and stressful duties. The increases to Hostile Fire Pay, Family Separation Allowance and authorization of per diem for family members of injured soldiers, offers comfort and stability to our soldiers while they serve in combat and recover from serious injury.

We continue to look for ways to compensate our soldiers for the hardships they and their families endure and we appreciate your commitment in this regard.

FISCAL YEAR 2006 PERSONNEL AND BUDGET & MANNING

The fiscal year 2006 budget for the Active Army provides military pay to support a 482,400 end strength consisting of 79,900 officers, 398,300 enlisted, and 4,100 cadets. For the Reserve component, the fiscal year 2006 budget supports 555,000 end strength. It funds Army Reserve Annual training (101,000 out of 118,000 participating soldiers), Active Guard and Reserve (AGR)—14,998 out of 15,270, and Individual Manning Augmentees (IMA)—6,000 soldiers. The budget funds the Army Reserve at 76 percent for the Inactive Duty training (IDT) program (89,000 soldiers out of 117,000 participating soldiers). The fiscal year 2006 budget funds the Army National Guard annual training at 79 percent (177,000 out of 214,000 participating soldiers), IDT program at 74 percent (194,000 out of 244,000 participating soldiers), and Active Guard and Reserve (AGR 27,300 out of 28,100 soldiers) including 102 Ground Missile Defense (AGR) and 76 AGRs for four additional Civil Support Teams (CST).

The fiscal year 2006 budget also continues the Residential Communities Initiative (RCI) program, bringing the number of RCI locations operating under the program to thirty four with an end state of 71,000 homes. This initiative improves the well-being of our soldiers and families and contributes to a ready force by enhancing morale and retention.

DISABLED SOLDIER SUPPORT SYSTEM

In April 2004, the Army introduced the Disabled Soldier Support System (DS3) Initiative to provide our most severely disabled soldiers and their families with a system of advocacy and follow-up services. This initiative is a cooperative effort with organizations external to the Army, like the Department of Veterans Affairs (VA), that provides these soldiers a single focal point for personnel support and liaison to resources as they transition through the myriad of medical and administrative processes associated with their injuries. To date, 313 soldiers are enrolled in DS3 and they are supported by a full-time staff, projected to grow to 47 to meet the demands of newly injured/wounded soldiers are enrolled in the program.

The DS3 program also works closely with the new Department of Defense Military Severely Injured Joint Support Operations Center located in Arlington, Virginia. This is a combined effort on behalf of the DOD and each Service to provide the same level of support to severely injured/wounded servicemembers and their families. The operations center staff provides a variety of services such as, financial support, counseling, information on resources in the local community and many other resources. They have a toll free number, 1–888–774–1361, that servicemembers and their families may call at anytime to discuss their needs. The Military Severely Injured Joint Operations Center Staff have greatly assisted the DS3 program with contacting and interviewing potential DS3 soldiers. Their assistance greatly enhanced the efforts of DS3 in providing right level of support at the right time, ensuring that soldiers and their families get the support they need.

SEXUAL ASSAULT PREVENTION AND RESPONSE

Sexual assault is a crime that cannot and will not be tolerated in the United States Army. The Acting Secretary of the Army's Task Force Report on Sexual Assault Policies as well as the DOD Joint Task Force identified several areas for improvement. We are in the process of implementing those recommendations and taking aggressive actions to prevent sexual assault, ensuring perpetrators are held accountable, and that victims are provided sensitive care whether deployed in support of ongoing operations or serving anywhere in defense of our Nation. The Army is correcting areas requiring improvement through an integrated team approach involving military and civilian resources with emphasis on a measurable program focused on awareness, prevention education, advocacy, intervention and direct victim services. This prevention and victim centered approach is being communicated throughout the Army community to commanders, soldiers, and staff ensuring all know where available military and civilian resources exist and how to use them in garrison (Active and Reserve) and in the operational theater. Specific actions include fostering a positive command climate, where victims feel free to report.

Army policy demands sensitive care for sexual assault victims; aggressive, timely, and thorough investigations of all reported sexual assaults; and accountability for those who commit these crimes. To achieve these objectives, similar to DOD, the Army policy prefers complete reporting of sexual assaults to activate both victims' services and accountability actions. However, recognizing that a mandate of complete reporting may represent a barrier for victims to gain access to services when the victim desires no command or law enforcement involvement, there is a need to provide an option for confidential restricted reporting. Therefore, the Army fully supports the new DOD policy for confidential restricted reporting by victims of sexual assault. Restricted reporting will allow sexual assault victims, on a confidential basis, to disclose the details of their assault to specifically identified individuals, receive medical treatment and counseling, and participate in a forensic medical examination and evidence collection without triggering the official investigative process. Restricted reporting is intended to give victims additional time and increased control over the release and management of their personal information, and to empower them to seek relevant information and support to make more informed decisions about participating in a criminal investigation. We are writing procedures into our sexual assault prevention and response policy to implement the new DOD policy.

ARMY WELL-BEING

All of the initiatives I've discussed above are in support of one of the Army's top priorities, the quality-of-life and well-being of our soldiers, civilians, and their families. In the past, the Army's programs concentrated only on the quality of life of our people—defined as a standard of living to which individuals, communities, and nations strive to meet or exceed. Army well-being organizes and integrates those quality of life initiatives and other programs into a well-being "framework" that support four individual strategic goals: to serve; to live; to connect; and to grow, for each member of the Army family. Your support of our programs that take care of the Army family before, during, and after deployments will ensure their preparedness to perform and support the Army's mission.

CONCLUSION

To ensure our Army is prepared for the future, we need full support for the issues and funding requested in the fiscal year 2005 supplemental and the fiscal year 2006 President's budget to support the Army manning requirements given the current operational environment. In the event the Department determines additional resources are needed in an fiscal year 2006 supplemental request—we would also ask for your full consideration and support of that request.

We would like your support to permanently amend the Reserve affiliation bonus authority, which is proposed in the 2005 supplemental budget request. Increasing this bonus will significantly help us attract already trained and experienced soldiers for continued service in the Guard and Reserve.

Once again thank you for the opportunity to appear before you today. I look forward to answering your questions.

Senator GRAHAM. Thank you.

Admiral Hoewing.

STATEMENT OF VADM GERALD L. HOEWING, USN, CHIEF OF NAVAL PERSONNEL, UNITED STATES NAVY

Admiral HOEWING. Thank you. Senator Graham, Senator Nelson, thank you very much for the opportunity to appear before you today. On behalf of the men and women of the United States Navy, I would like to express our gratitude for your continued support of the programs and the initiatives that provide our sailors with a high quality of service, better growth and development, and ever-increasing opportunities to serve.

From record retention and recruiting, to enhanced compensation and quality of service, the fleet is the most capable and talented that we have ever observed. Our Navy's performance in OIF and OEF demonstrate more than just combat excellence. It reaffirms the single greatest advantage that we hold over every potential adversary, the genius of our people. I visit them in the fleet, and I can tell you that they are proud. They want to serve, and the tone out there in the fleet has never been better.

This is a direct result of your support, but it also reflects innovative organizational and operational changes, as well as technology investments, that have improved and will continue to improve the way we get work done.

Through our fleet response plan (FRP), we can, like never before, support the National Security Strategy with persistent, rotational, and surge-capable naval capabilities, capabilities enhanced by innovative new manning constructs and practices derived from fleet experimentation, such as our optimal manning experiments and our sea swap experiments.

We are investing in technology, designing affordable, next-generation ships and aircraft, engineered with systems that maximize the performance of our sailors, while decommissioning the legacy platforms burdened by manpower-intensive programs.

These changes present us with a rare, if not historic, opportunity to redefine the manpower requirements at sea and ashore for the Navy of the 21st century. The truth is we have been hampered by a Cold War, Industrial Age manning construct that simply will not suffice in the information and technologically-rich world we live in today or against the diverse and transnational threats that we now face. We can and must do better, and we need your support.

To that end, our Chief of Naval Operations' (CNO) number one priority for 2005 is the development and implementation of a modern Total Force, human resource strategy that will deliver an even more capable Navy, but with fewer and more talented people. Just this morning, I had the opportunity to address the All Navy Flag Officer and Senior Executive Service Panel at the Naval Academy where we talked about this strategy. Our approach to creating this

smaller and smarter work force is a deliberate and careful process built on three supportive tasks.

First, is to determine the true Total Force manpower requirements. We must evaluate not only the relevance of every task that takes place out there and how it responds to that combat capability, but also if that task is best performed by an Active sailor, a Reserve sailor, a civilian, or even a contractor. We are eliminating the nonproductive work before the personnel numbers are being reduced. We are not placing more on the backs of fewer sailors.

Second, we are shaping the force smartly and precisely to better meet those requirements. "Perform to Serve" has already resulted in the conversion of more than 4,000 sailors from overmanned skill sets into those skill sets where we have too few sailors to meet the demand.

Our SRB program remains our most effective retention and shaping tool, but we need your support to raise the SRB cap to provide the incentive necessary to retain our most talented and technically trained sailors such as nuclear plant systems operators and maintainers.

Our assignment incentive pay (AIP) program has been hugely successful with more than 3,000 sailors moving into jobs and taking orders to critical billets in order to meet the readiness needs of the Navy. We request your support of a lump sum payment of this assignment incentive pay option to capture the positive effect of net present value, effectively giving us more bang for less dollars.

Third, as we continue to evaluate our progress in getting the right person to the right job, we need your support and are requesting new legislative authorities to shape the force which provide market-based, flexible tools designed to encourage people to join, encourage the right people to volunteer to be retained, and encourage the right people to transition into the civilian work force while preserving our final talents without breaking faith with our people.

In conclusion, Mr. Chairman, let me thank you again and the subcommittee for the extraordinary support that you have provided to our sailors. It has enabled the dedicated men and women of the world's strongest Navy to continue to defend freedom in the far corners of the earth, taking the sovereignty of this great Nation with them on our ships, our submarines, and our aircraft. I thank you and I look forward to your questions.

[The prepared statement of Admiral Hoewing follows:]

PREPARED STATEMENT BY VADM GERALD L. HOEWING, USN

INTRODUCTION

Mr. Chairman, and distinguished members of the subcommittee, thank you for this opportunity to appear before you today to talk about the wonderful things the men and women of the United States Navy are doing, the challenges that face us, and what we are doing to further enhance Fleet personnel readiness as we move forward in the 21st century. I want to express, on behalf of sailors serving around the world, our collective gratitude for your exceptional and sustained support. This subcommittee is a partner in, and has contributed in a dramatic way to the remarkable achievements of the last 5 years in Navy manpower, readiness and our ability to generate capabilities we will need to fight and win the global war on terrorism.

FORWARD PRESENCE

Our talented workforce, comprised of Active and Reserve sailors, Federal employees and contract personnel, is taking the fight to our adversaries each and every day. Collectively, they comprise the most capable and lethal naval force this world has ever known. We are continuing to transform this maritime expeditionary force, while concurrently maintaining our forward presence, further enhancing our warfighting capabilities and maximizing the benefits of a world-class pool of talent.

There are now approximately 19,000 sailors deployed to the Central Command area of responsibility (AOR) in support of Operations Enduring Freedom (OEF) and Iraqi Freedom (OIF). In addition to the more than 8,000 men and women of the U.S.S. *Harry S Truman* Carrier Strike Group (CSG) and the U.S.S. *Bonhomme Richard* Expeditionary Strike Group (ESG), that number includes some 7,000 Navy personnel on the ground throughout the theater. Among them are more than 370 Naval Special Warfare personnel conducting combat operations, 2,600 medical personnel directly supporting ground combat missions, particularly those operating with Marine Corps units, and more than 1,000 Construction Battalion (Seabees) personnel managing construction projects for new Iraqi schools, bridges, roads and facilities. They are also teaching construction skills as part of the Iraqi Construction Apprentice Program.

In the past 2 months, as our forces in Iraq and Afghanistan continued their heroic and historic contribution to establishing new found freedom and democracy for the peoples of those countries, 24 U.S. naval ships were on station as part of Combined Support Force 536, a contingent of over 15,000 sailors, marines, soldiers, and airmen who rapidly and selflessly responded to an urgent need for humanitarian assistance and disaster relief to the earthquake and tsunami-stricken areas of the Pacific region. Through an unprecedented level of international cooperation, Operation Unified Assistance has demonstrated the willingness and ability of America's military to work hand-in-hand with international government agencies, nongovernment organizations (NGOs) and the United Nations in the largest relief effort in history.

Rotating elements in Unified Assistance have included the ships and squadrons of the U.S.S. *Abraham Lincoln* Carrier Strike Group and its embarked Carrier Air Wing TWO, which conducted over 1,600 helicopter missions, transporting 3,000 people and distributing nearly five million pounds of supplies. The U.S.S. *Essex* Expeditionary Strike Group was on hand providing over 1 million pounds of humanitarian aid to the Sumatra region of Indonesia by helicopter and landing craft, air cushion (LCAC) hovercraft. Twelve ships of the U.S. Military Sealift Command (MSC) provided food, fuel, medical supplies, construction and road-building equipment, electrical power generating equipment and airfield matting. Among those MSC ships, the 1,000-bed hospital ship U.S.N.S. *Mercy,* which, along with its crew of 69 Navy civilian mariners and 419-member hospital support staff, 100 embarked civilian volunteers of Project Health Opportunities for People Everywhere (HOPE) and 6 uniformed members of the U.S. Public Health Service, remains on station today providing an array of health care to the vast number of victims, primarily suffering from illness and infections.

Clearly, at the heart of everything good happening in our Navy today is the vital fact that we are continuing to win the battle for people. We are attracting, developing, and retaining a talented cadre of dedicated professionals who have committed to a lifetime of service. Our ability to challenge them with meaningful, satisfying work, which allows them to make a difference, is fundamental to leadership's covenant with them. To better fulfill our promise, we are developing a 21st century Human Capital Strategy (HCS) that will deliver the right skills, at the right time, for the right work. We would not be positioned to do that today had we not first tackled the fundamentals of accessing the right people, significantly reducing postenlistment attrition, and then retaining highly qualified and motivated sailors in historically unprecedented numbers.

> "We must do all we can to increase the speed and agility of our great institution to get the right people with the right skills to the right place at the right time, and provide them with the professional and personal tools to succeed—A comprehensive Human Capital Strategy will do that and is a crucial deliverable for our Navy."
>
> Admiral Vern Clark, Chief of Naval Operations

HUMAN CAPITAL STRATEGY

Military (Active and Reserve) and civilian (Federal civilian employees and contractor personnel) manpower constitutes approximately 65 percent of Navy's annual investment in national security. To meet the challenges of the global war on ter-

rorism and sustain our traditional warfighting capabilities, consistent with the National Security Strategy, Navy must develop and implement a "Total Force" HCS. Its purpose will be to implement the warfare capabilities and operational readiness strategies of the 21st century Navy. A thoughtful and time-phased investment plan, including manpower, is fundamental to the cost-effective generation of combat power today and in the future. We must be able to carefully balance risk and sufficiency. Today, we lack the agile processes, knowledge, and focal points of accountability necessary to understand and make visible the capability/readiness trade-off decisions and risks associated with manpower resourcing decisions. A robust and strategic HCS is key to getting on the right course.

> "The Demands of the 21st century security environment are markedly different from those that shaped the manpower requirements and personnel systems and policies that are used in the (Defense) Department today. The current set of human resources policies and practices will not meet the needs of the 21st century if left unchanged."
> The Defense Science Board Task Force on Human Resources Strategy

We have long been stove-piped into Active and Reserve, uniformed and civilian, sea and shore, officer and enlisted components . . . our HCS must transform these stovepipes into complementary parts of a coherent Total Force Alignment Strategy. Moreover, our vision for the future is a truly integrated workforce wholly committed to mission accomplishment . . . a Total Force approach that can functionally assess missions, manpower, technology and training and produce an enterprise-wide resource strategy. Total Force refers to the collective workforce of Active and Reserve officers and enlisted, Federal civilian employees and contractor personnel. Our strategy must incentivize innovation in the workplace and implement tools and techniques that enable the workforce to challenge existing assumptions, eliminate unnecessary costs, and increase efficiency and effectiveness.

Navy HCS embraces the:

- Vision of the President's Management Agenda,
- Standards for success of the Office of Management and Budget,
- HCS goals of the Office of Personnel Management,
- Priorities of the Secretary of Defense,
- HCS vision of the Secretary of the Navy
- Goals in the Chief of Naval Operations' Guidance.

Navy's HCS will provide both senior leadership and sailors and civilian partners with a mutual set of expectations of how Navy will be manned, trained and educated to accomplish its missions. It will establish the framework to capture the transforming effect on work and the workforce, of emerging technologies, mission, delivery systems and risk taking. It will focus on continuing to attract and sustain a high performing workforce—and recognizing and rewarding the talents of our people—all elements critical to our success. We must also recognize that a commitment to diversity will permit us to fully leverage the skills and potential inherent across the spectrum of our society.

The Human Capital Strategy will be comprised of five pillars. At the foundation of these pillars is leadership. These pillars encompass the themes, goals, and objectives to deliver the best value team of military and civilian personnel to provide for the Nation's defense. They will define the alignment of manpower, personnel training and education (MPT&E) and planning, programming, budgeting and execution (PPBE) processes to create the critical mass to achieve Total Force governance. They will focus our efforts towards increasing the operational availability of our workforce and determining the well-reasoned and fiscally informed Total Force requirements.

The strategy and its pillars will set the goals for defining:

(1) Future work environment;
(2) Establishment of competencies and skill-sets to accomplish the work;
(3) Linkages of work to capabilities;
(4) Best-value manpower mix;
(5) Training and education requirements;
(6) Human capital information systems functionality; and
(7) Modeling tools necessary to support the performance of high productivity work by a highly-valued workforce.

Increasing the speed, agility, and productivity of Navy's workforce, coupled with providing work-life balance, are strong demand signals on an HCS aligned with Navy's mission. Robust testing of new and innovative ideas like the DECATUR pilot, multi-crewing, and Assignment Incentive Pay (AIP), along with opportunities for innovation under the newly authorized National Security Personnel System (NSPS), exemplify the effort we must carry forth each year to discover tomorrow's best practices. Concurrently, flexible, discretionary, force shaping tools will enable us to set the stage for achieving a more efficient and cost-effective workforce.

Ultimately, strategic development and management of human capital is the right thing to do—critical to mission success. The strategic plan is intended to be useful and responsive to long-term, as well as short term, changes within the Navy and Department of Defense—to be agile, flexible and resilient—to accommodate not only today's challenges, but future ones, as well. It provides a strategic roadmap to enhance Navy's workforce ability to accomplish its mission.

SEA WARRIOR

The manpower component of Chief of Naval Operation's (CNO) Sea Power 21 initiative, implements Navy's commitment to the growth and development of our people. It is a capabilities-based, best value, transformational set of business processes that provide a high quality workforce to meet fleet warfighting effectiveness. Sea Warrior, a key element in the delivery of our emerging HCS, ensures the right skills are in the right place at the right time, and is a major contributor to speed and agility of our Navy. Historically, our ships have relied on relatively large crews to accomplish their missions. Today, we are developing new combat capabilities and platforms that feature dramatic advancements in technology and reductions in crew size. The All-Volunteer Force crews of modern warships are streamlined teams of operational, engineering and information technology experts who, collectively, operate some of the most complex systems in the world. As we reduce crew size, we will increasingly need sailors who are highly educated and expertly trained. Sea Warrior is designed to enhance the assessment, assignment, training and education of our sailors.

Despite technological advances, Navy depends, and will always depend, heavily on human capital to fulfill mission requirements. In fact, the vision presented of Navy's future in CNO's Sea Power 21 initiative emphasizes the critical role of the Sea Warrior in enabling Navy to operate more sophisticated weapons systems, in an agile and speedy manner, to meet the challenges that will be brought about by changes in warfighting tactics. Simultaneously, we recognize that budget pressures will not abate, so that the goal of placing "the right sailor in the right job, with the right skills, at the right time" will become increasingly important. Therefore, it is essential that Navy's various human capital organizations be aligned to operate as effi-

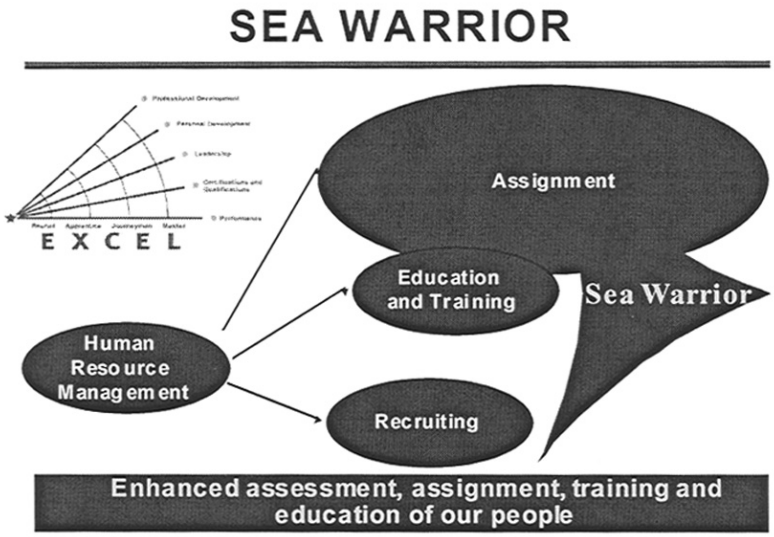
ciently and effectively as possible in recruiting, training, educating, distributing, and retaining the Total Force required to fulfill Navy's future needs.

The foundation of Sea Power 21 is our people—the Sea Warriors. Project Sea Warrior, as linked with the Navy's Human Capital Strategy, is how we are going to develop sailors to run the Navy our Nation requires. Shaped by the demands of the Cold War and more than a decade of draw down, our current processes and systems understandably are not designed with the human capital at the center. Despite the many misalignments and inefficiencies within the current MPT&E operational environment, transformation is within our grasp.

The goal of Sea Warrior is to integrate Navy's manpower, personnel, training, and education functions—Active and Reserve—into a single, efficient, information-rich human capital management system. Its focus is on growing individuals from the moment they walk into a recruiting office through their assignments as master chiefs or flag officers, using a career continuum of training and education that gives them the tools they need to operate in an increasingly demanding and dynamic environment. Through Sea Warrior, we will identify sailors' precise capabilities and match them to well-articulated job requirements that far exceed the simplistic criteria used today. Additionally, we will implement more responsive incentives and flexible rotation dates and move Navy toward a competency and performance-based compensation system.

Advanced technology plays an integral part behind the process improvements fostered by Sea Warrior. Sea Warrior will take advantage of off-the-shelf, corporate-tested, products and methodologies such as, knowledge management programs, PeopleSoft, and SkillsNet, all acting as enablers, to provide increased options and information for career managers, commands and individual sailors. It will provide a one-stop information source through a single, Web-enabled portal. Sea Warrior provides every sailor with the tools to achieve their personal goals and provides human capital managers with powerful tools to shape the force.

As a human capital enabler, Sea Warrior is focused on providing a combat capability to the Strike Group Commander in the form of an optimally trained sailor who is battle ready. This transformation will be accomplished through a comprehensive manpower, personnel, and training integration effort targeted at producing a single integrated human resource system providing each Sea Warrior with defined capabilities.



SHAPING THE FORCE

As mentioned earlier, the success of Navy's vision for future combat effectiveness and employment is tied to our ability to properly shape the force—get all Navy members with the right skills to the right place at the right time. Our ability to

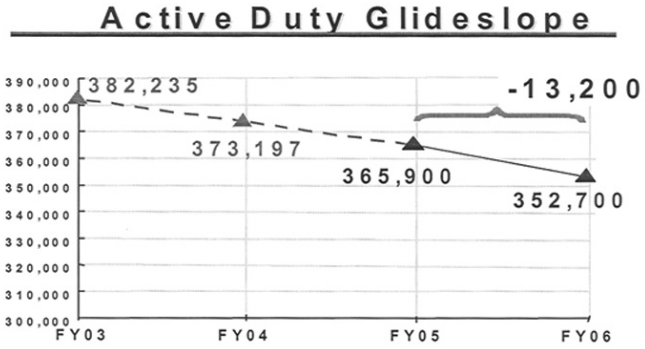
do so hinges on availability of broad, flexible, authorities to facilitate required realignment within fiscal constraints. As Navy becomes increasingly technology-intensive, vice manpower-intensive, we are leveraging advances in platform and system design to shed non-essential functions and improve productivity and warfighting readiness. Navy is refining the shape and skill-mix of the force to provide specialized skills needed to respond to new technology and missions. As we continue to shed "excess work," we are confronted with statutory constraints/inflexibilities, inhibiting our ability to reduce, align, and balance the workforce in a selectively targeted manner to ensure skill-mix and workforce levels match valid requirements. Current statutory authorities help recruit and retain high quality personnel but we have limited means to stimulate voluntary separation among personnel in overmanned skill areas. Therefore, we are currently evaluating initiatives that would provide voluntary separation incentives to help shape our force in the short-term while maintaining a positive tone that will not detract from recruiting and retaining talented professionals over the long-term.

End Strength Request

The fiscal year 2006 President's budget supports and the Defense Authorization Request seeks a Navy Active-Duty strength authorization of 352,700 sailors. Planned end strength reductions are an outcome of:

- Efforts to identify "excess work" no longer required or that need not be accomplished by uniformed personnel (alters the workforce mix, e.g., military-to-civilian conversions),
- Decommissioning older, manpower-intensive platforms,
- Improved training and employment processes,
- Infrastructure manning efficiencies,
- Technology-related efficiencies, and
- New manning practices.

Changes in operational concepts and investments in technology require that we recruit, train, and retain a warrior force that is more educated and technically savvy than in the past. Smart ship technologies embedded in future-design ship classes, capital-for-labor substitutions for performing manpower-intensive tasks, and condition-based maintenance with systems that identify when maintenance is required, will fundamentally change the nature of our work. Consequently, we will need to reassess and modify the fundamental elements of our personnel structure to maximize the benefits of that change. Technology, innovation, and outsourcing are changing Navy's strength requirements. Collectively, this means that we are not reducing strength by placing more work on the backs of sailors. Technology continues to change the nature of work, allowing us to optimize the number of personnel who once performed more manpower-intensive tasks. Ongoing piloting of innovative manning methods such as optimal manning and sea swap, present enormous potential for savings and enhanced readiness. Additionally, outsourcing non-war-fighting functions and increasing military-to-civilian conversions further reduce military strength requirements.



Targeted Separation Incentives

Navy remains committed to shaping the force to fit current and future manpower requirements while optimizing personnel readiness. Strength reductions are being

targeted so that Navy retains the skills, pay grade, and experience-mix required to meet transformation goals, while providing mission-ready forces for real world requirements in the global war on terrorism. Effectively addressing shortfalls requires a broad array of flexible tools in addition to retraining to improve manning. While we have a variety of statutory incentives to recruit and retain, we have limited tools by which to reduce excess personnel in overmanned skills, without forcing them to leave involuntarily, an approach that carries significant long-term adverse recruiting and retention risks for an All-Volunteer Force. Tools that incentivize voluntary separation, when appropriate and necessary, will ensure our ability to retain in our ranks those personnel we need, while permitting us to stimulate voluntary separation among those no longer filling validated requirements. Voluntary incentives will help maintain a positive tone conducive to success in recruiting and retention. Offering a reasonable severance package to those who voluntarily separate, "keeps faith" with sailors who have long committed to a military career, only to learn that circumstances dictate that we will be unable to retain them until they would otherwise become eligible for a regular retirement.

This does not mean that we would indiscriminately implement such authorities, nor would we leave it up to the members to decide who would qualify for such separation incentives. Prior to considering sailors for separation (and selective application of voluntary separation incentives), Navy would employ a progressive approach of evaluating options for retaining sailors by:

- Shifting personnel from overmanned to undermanned skills through retraining and conversion,
- Transferring from Navy's Active component to valid Reserve component requirements, and
- Interservice transfer (e.g., Army's Blue-to-Green initiative).

Only after exhausting all logical retention options, would consideration be given to releasing sailors whose service/skills are in excess. Under no circumstances would we retain personnel in overmanned skills if it were feasible and cost-effective to move them into undermanned skills. To do so would be poor stewardship of taxpayer dollars and would force Navy to endure gaps in undermanned skills to remain within authorized aggregate strength levels, thereby adversely impacting personnel readiness. Retraining and converting personnel from overmanned skill areas to undermanned skills is our primary approach for retaining highly trained personnel while simultaneously improving the balance of the force. In many cases, however, retraining and conversion is neither feasible nor cost-effective. Therefore, statutory authorities that incentivize voluntary separation would help shape our force, while maintaining a positive tone that will not detract from recruiting and retaining highly educated and top performing professionals.

FAIR AND BALANCED COMPENSATION PACKAGE

Military compensation (especially targeted bonuses/pay) is a key enabler of Navy's emerging HCS. To remain an "employer of choice" in an All-Volunteer Force environment, operating in a dynamic, competitive, market place, requires a complete array of monetary incentives with the flexibility to influence individual behavior. Such tools have been, and remain, vital to our efforts to recruit and retain high quality individuals with the right skills, in the right numbers, at the right time; to motivate individuals to perform to their full potential and productivity levels; to assign individuals with the right skills/experience to the right jobs at the right time; and to stimulate voluntary separation of the right individuals, those in overmanned or obsolete skill areas, in a manner that will preserve force quality, skill mix, and our reputation as an employer. As Navy becomes more mission/sea-centric, success will hinge on having all the necessary tools and resources at our disposal, when needed, permitting us to employ them in tandem to specific populations they are intended to influence, and having the resources needed to guarantee their effectiveness. A fair and balanced pay package that offers a combination of annual basic pay increases, which properly recognize the unique, arduous, and inherently hazardous nature of military service, coupled with broadly-based, flexible, and targeted special and incentive pays, provide a full range of compensation tools for effective, judicious and responsible motivation and management of our human capital.

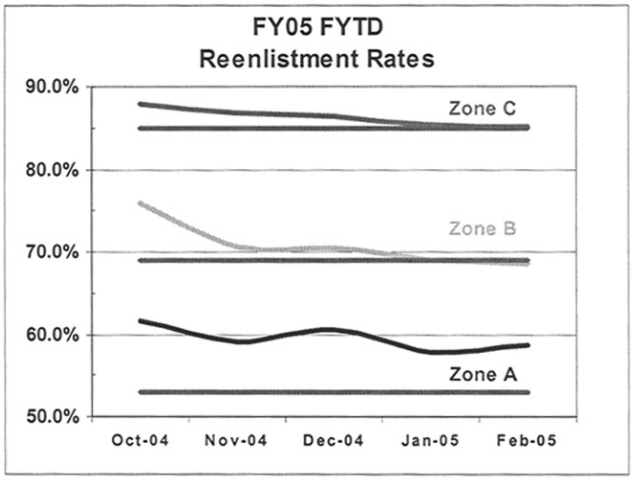
RETENTION

Navy has experienced significant improvement in reenlistments reaching a historical peak at the end of fiscal year 2003. In fiscal year 2005, to date, strong reenlistment trends continue with attrition rates at or near a 15-year low fostered by a new culture of choice and a focus on professional development of our sailors. We are now able to be more selective in recruiting and retaining high quality sailors and ensur-

ing the right numbers of strong performers reenlist in the right ratings thereby effectively shaping the force of the future. At the same time, we are developing a more educated and experienced group of professionals to lead and manage an increasingly high-technology Navy. Targeted and special pays continue to have the strongest impact on reenlistments, while maintaining Selective Reenlistment Bonus (SRB) funding is proving essential to sustaining retention of critical skills. Another key to these successes has been Navy's aggressive program to enhance quality of service, the combination of quality of work and quality of life.

Fiscal year 2004 closed with favorable retention in all zones achieving Navy manpower and force shaping requirements. In zone A, Navy achieved a 54.1 percent reenlistment rate, against a goal of 56 percent. Numerically, we were short by only 524 reenlistments out of 27,500 transactions. Since reenlistment rate goals are point targets and not floors, this was an acceptable deviation from the goal. Navy achieved Zone B and C reenlistment rate goals.

Navy has set more restrictive targets for reenlistment rate goals in fiscal year 2005. Developing IT resources has allowed us to perform a more granular analysis of our goals at the individual rating level. This allows us to mitigate reenlistments in overmanned ratings using perform to serve and other policies. Based on this more rigorous analysis and the mitigating effect of perform to serve, Navy reenlistment rate goals are going to be more challenging than in previous years. Navy is currently above target for Zone A reenlistments at 58.5 percent, while we anticipate finishing slightly below the 53 percent target. Zone B and C reenlistment rates are currently near their respective targets and are expected to remain so through year's end.



As Navy continues transitioning toward a smaller and smarter force, retention will remain a key issue. Historically, retention tends to follow changes in strength requirements. During times of decreasing strength, we must continuously monitor our efforts to ensure that the right sailors are going to stay Navy.

REDUCED ATTRITION

Since 2000, we have also reduced attrition by nearly 33 percent. This past year alone, leaders throughout our Navy attacked the number one cause for attrition: illegal drug use. Despite an increase in testing of 9 percent Navy-wide, the number of positive samples was down by 20 percent since 2003. In short, we now have the highest quality workforce the Navy has ever seen.

PERFORM-TO-SERVE

In 2003, Navy announced a new Perform-to-Serve program, which encourages sailors to reenlist for ratings that offer more advancement opportunity. Perform-to-Serve features a centralized reenlistment and extension reservation system giving sailors other avenues to pursue success. Designed primarily with fleet input, to meet

fleet readiness needs, Perform-to-Serve offers first-term sailors in ratings with stalled advancement opportunity, the chance to reenlist and retrain for conversion to a rating where advancement opportunity is better and the fleet most needs skilled people. We have already used existing authorities and our Perform-to-Serve program to preserve the specialties, skill sets and expertise needed to continue the proper shaping of the force. To date, more than 4,000 sailors have been steered to undermanned ratings, and more than 42,000 have been approved for in-rate reenlistment since the program began. Our Perform-to-Serve and early release programs are part of a deliberate, controlled, and responsible strategy to become a more experienced, better trained, but smaller force.

SELECTIVE REENLISTMENT BONUS

SRB continues to be our most successful and effective force-shaping tool to retain the right number of high quality sailors we need with the right skills and experience. It is, undeniably, a key incentive that directly supports Navy's emerging human capital Strategy and enables us to selectively retain the sailors we need as we transform to a lean, high-tech, highly capable, mission-centric force.

While we have enjoyed much success in our retention efforts of recent years, we must not presume that we can rest on these accomplishments or surrender to the notion that the tools that made such successes possible can be allowed to atrophy. SRB, has been, and continues to be, directly responsible for much of our retention success in the key skill sets required to maintain our combat readiness, yet it has come increasingly under fire because of the funding needed to support it and the increased authority needed to ensure its effectiveness. To make certain we are applying those increasingly scarce funds in the most cost-efficient manner, Navy has recently instilled even more analytical rigor in our use of SRB through the Navy-wide expansion of a reenlistment-tracking tool. This tool (previously only available within the enlisted nuclear field community) displays established reenlistment requirements at a very granular skill level by individual year group, and monitors actual reenlistment behavior at the same very granular skill level by year group in comparison to those requirements. Through inauguration of this reenlistment tracker for every Navy enlisted community, each community manager has available clear and unambiguous data to ensure SRB is applied only when and where needed.

Enlisted nuclear field community managers have used the tool in recent years to implement measured increases in SRB award levels that significantly improved retention rates. However, Navy reached the current $60,000 legislative limit in 2001 for 13 of 16 senior nuclear skill categories while retention among senior, nuclear-trained personnel remains significantly below requirements of 70–90 percent. This indicates that the private sector job market for nuclear-trained individuals remains strong despite a sluggish economy. Increasing the SRB statutory limit from its current limit to $90,000 would provide the Secretary of the Navy with enhanced incentives needed to compete with the strong civilian market in such industries as electronics, computer, and power generation for senior nuclear-trained personnel. The screening requirements, advanced education, and high standards of personal performance and integrity required for the Naval Nuclear Propulsion Program produce some of the most highly trained enlisted personnel in the military and help the program maintain an unparalleled safety record in support of national security. Safe and reliable reactor operations require the retention of sufficient nuclear enlisted personnel in the program. In addition, improving the retention of nuclear-trained personnel is critical to ensuring all nuclear-powered carriers and submarines will be adequately manned and able to deploy in support of Navy's Fleet Response Plan. Increasing the SRB limit would be less costly than the $100,000 it would cost to train new personnel to replace experienced personnel who leave for better-paying private sector jobs. Furthermore, Navy primarily needs to retain senior nuclear-trained sailors eligible for reenlistment in zones B and C whose experience, if lost, would take 10 to 14 years to replace. In the long term, an increase in the maximum SRB authority would result in appreciable overall cost savings.

The direct cost avoidance associated with not having to access, train and grow replacement personnel far outweighs the funds expended to retain sailors in critical skills using SRB. Added to that is the costs we would have paid in decreased personnel and military readiness, had we not been so successful in retaining these outstanding professionals in needed ratings. I strongly encourage your continued support for this vital program by fully funding SRB at the President's fiscal year 2006 requested budget levels of $183.6 million for anniversary payments and $168.4 million for new payments. I cannot overemphasize the importance that it continues to play in the readiness and capability you observe in our Navy today.

ASSIGNMENT INCENTIVE PAY

Another relatively new, but already highly successful force shaping tool in Navy's incentive arsenal is AIP. Introduced to the fleet in June 2003, it immediately demonstrated significant benefits to our personnel system. The success of AIP in attracting volunteers to difficult-to-fill locations and jobs, has led to progressive elimination of awarding sea duty credit as an incentive for assignment to hard-to-fill overseas shore duty billets. As a result, Navy will ultimately be able to assign almost 10,000 additional sailors to sea duty, who would have previously rotated to shore duty following a qualifying overseas shore assignment. This will provide future readiness benefits in the form of better sea manning and a more efficient use of sailors' at-sea training and experience.

Currently AIP authority does not permit disbursement of lump sum payments. We believe that expanded authority to allow for payment of AIP in either a lump-sum, installments (including current monthly installments), or a combination of both, would significantly improve the flexibility and cost efficiency of this valuable assignment tool.

NATIONAL SECURITY PERSONNEL SYSTEM

The NSPS provides an additional opportunity to increase our organizational speed and agility by improving the way we hire, assign and compensate civilian employees. NSPS will make us more effective, while preserving employee protections and benefits as well as the core values of the civil service.

In November 2003, Congress granted the DOD authority to establish a new civilian human resources management system to better support its critical national security mission. DOD and the Office of Personnel Management (OPM) have spent the past year engaged in a design process with input and participation from key stakeholders, including employees, supervisors, managers, union representatives, senior leaders, and public interest groups.

NSPS is a rigorous and broad-based effort to modernize the personnel system for the Department, while preserving the core, enduring values of the civil service. It offers new rules and processes for pay and classification, performance management, reduction in force, disciplinary matters and appeal procedures, and labor-management relations. Some of the highlights of the proposal include the following features:

- Simplified pay banding structure, allowing flexibility in assigning work
- Pay increases based on performance, rather than longevity
- A performance management system that requires supervisors to set clear expectations (linked to DOD's goals and objectives) and employees to be accountable
- Streamlined and more responsive hiring processes
- More efficient, faster procedures for addressing disciplinary and performance problems, while protecting employee due process rights
- A labor relations system that recognizes our national security mission and the need to act swiftly to execute that mission, while preserving collective bargaining rights of employees

Recently proposed regulations for NSPS implementation were published in the Federal Register and they are now open for 30 days for comments and recommendations. At the end of the comment period, the Department will initiate the statutory 30-day "meet and confer" process with employee unions to discuss, in consultation with the Federal Mediation and Conciliation Service (FMCS), their views and concerns. In addition to reporting to Congress the results and outcomes of the meet and confer period, we will also consolidate, review, and consider comments made by the public to the proposal, make any necessary adjustments and publish the final regulations.

Publication of final regulations triggers the implementation period which will include development of detailed implementing issuances, extensive training of our employees, supervisors/managers, and human resources professionals, and the necessary modifications to our personnel and payroll systems. Beginning in July 2005, employees will be phased into NSPS using a "spiral" implementation approach. The first group, known as "Spiral One" will include up to 300,000 General Schedule (or equivalent) employees in selected organizations. After a period of review, evaluation, and adjustment (if needed), successive groups of employees will be spiraled into NSPS until the process is complete.

CIVILIAN COMMUNITY MANAGEMENT

Navy's approach to Total Force alignment is driving unprecedented changes in the strategic management of our fighting force. We have not, however, been as efficient

as we must be at strategic workforce planning for our civilian component. We believe that NSPS provides the supporting structure to reform our human capital management processes. Ongoing efforts in civilian community management support the NSPS requirements structure. We are creating a methodology to provide an environment conducive to personal occupational excellence and commitment to mission accomplishment. These efforts will shape the workforce that supports the warfighter and provides for a secure future. Our civilians provide the technical depth, continuity, corporate knowledge and linkage with private industries research initiatives and its impact on Navy work efforts, all of which are critical mission accomplishment.

During the post Cold War-era drawdown (1989–2000), we were remiss in not "proactively shaping the civilian workforce to ensure that it had the specific skills and competencies needed to accomplish the future mission" (GAO). Despite the Navy's mission complexity and technology advances, the civilian downsizing in the past decade resulted in a smaller workforce doing essentially the same kinds of work as it did in 1994. We are changing that with the launch of our civilian community management structure, which is the first corporate initiative to look at the entire Navy civilian workforce resources, requirements, and skill gaps to recognize civilians as a Total Force pillar. We have established 21 communities to provide us the capability to baseline data about the current workforce, including the current competency requirements that are critical to our success. This effort establishes a base line of "as is" allowing leadership to begin workforce planning for the future Navy. The competency identification also initiates the view of career development for both the individual employee and the corporate Navy.

Our civilians will see the results of these career road maps in much the same manner that our sailors will chart their future. Our 5 Vector model will provide views for our Total Force. Civilians will be able to look at their progress and identify what is needed to succeed not only within their community, but they will have the opportunity to compete for assignments in other communities, based on known skill requirements.

The civilian workforce is part of the total team. We need to make sure we have the right people with the right skills doing the right job, and that includes our civilian team members. It's all about accomplishing the mission, and our civilian workforce plays a major role in providing our Navy with the capability to make it happen. As we steam ahead, the Navy must be smarter and more creative in its civilian recruitment, training, and performance management policies. Navy's investment in Civilian Community Management will begin returning results as we continue to gather and use strategic information about our workforce. With this, the Navy will be better able to develop and align its civilian workforce with our mission and provide the Total Force structure.

OFFICER COMMUNITY MANAGEMENT

Aviation Warfare Officer Community

Naval aviation retention in fiscal year 2004 was 52.4 percent through department head (12 years of commissioned service (YCS)), surpassing last year's mark by 3.6 percent. Continued improvement can partially be attributed to 5 consecutive years of Aviation Career Continuation Pay (ACCP) program success and an economy that is slow to recover. These factors combined with the retention surge experienced post-911 and Naval Aviation force structure reductions have combined to ensure that fleet requirements will be filled to 100 percent even as T-Notch year groups progress to the department head milestone. The combined effect of force structure reductions, accomplishment of recruiting goals, and increased efficiencies in the naval aviation-training pipeline has resulted in an excess of student naval aviators. The Naval Aviation Enterprise is currently in the process of mitigating this excess through a combination of United States Marine Corps (USMC) interservice transfers, filling Navy Reserve requirements, and an opportunity to compete for available aviation quotas.

ACCP continues to be our most efficient and cost-effective tool for stimulating retention behavior to meet current and future requirements and overall manning challenges. During periods of low retention, ACCP is needed to simply ensure the minimum quantity of aviators is available to fill department head (DH) requirements. While naval aviation continues to enjoy unprecedented retention, the ACCP program significantly contributes to ensuring that the best-qualified aviators are available to fill department head requirements and ensuring the health of naval aviation in the years ahead.

As the airline industry recovers and increases their passenger capacity to meet rising demand, it is imperative that Navy continues to provide credible incentives to encourage careers in naval aviation. As naval aviation once again competes with the civilian sector airlines for a limited human capital resource, ACCP is needed to maintain the competitive edge in that market, reducing compensation deltas, and ensuring that future department head requirements are met. Targeted, stable, efficient, and judicious use of limited resources are hallmarks of Navy's ACCP program, which continues to offer sufficient incentive to stabilize our aviation manning profile; thereby sustaining operational combat readiness within naval aviation.

Surface Warfare Officer (SWO) Community

Surface Forces are faced with many challenges midway through the fiscal year, from maintaining readiness in the global war on terrorism to standing up the first littoral combat ship (LCS) commissioning crew. Nonetheless, the SWO Community continues its pursuit of innovative retention and force shaping initiatives, development of a community Human Capital Strategy, and improving the quality of leadership among its officers.

SWO community junior officer retention requirements are based upon manning at-sea DH billets. Community retention is based on the SWO Continuation Pay (SWOCP) take-rate for a particular year group (YG), which enables the community to determine the number of junior officers available for assignment as SWO department heads, nominally at 7½ years of commissioned service. Junior officer retention continues to improve with YG98 becoming the fourth consecutive year group to attain over 31 percent retention. Department head school loading in fiscal year 2005 is expected to be the highest ever, with over 300 SWOCP takers filling DH school seats against an annual goal of 275.

SWOCP, initiated in fiscal year 2000 to help meet community requirements for critical, trained and experienced department heads, has favorably impacted retention decisions, encouraging healthy numbers of quality officers committing to serve through their operational (at-sea) DH tours. This program, targeted at an officer's first retention decision, is typically effected at 5–8 years of commissioned service while the officer is serving in a post-division officer shore tour. Officers are paid $50,000 in total bonuses to complete the DH sequence, an arduous and critical mid-grade operational tour series. A typical SWO will begin the seventh year of commissioned service at DH school and from 7½–10 years of commissioned service in an afloat DH sequence. SWOCP take rate has improved from 23 percent to more than 34 percent, between fiscal years 1999 and 2004.

In June 2002, Critical Skills Retention Bonus (CSRB) was authorized for SWO for the first time. Up to $46,000 is currently authorized for SWO lieutenants commander for Active obligated service through the 12 to 15 years. Prior to availability of CSRB, retention for CSRB-eligible SWOs was 92 percent but improved to nearly 100 percent of eligible officers upon CSRB implementation. As a result of CSRB, Navy has filled many mid-grade billets in challenging at-sea assignments by retain-

ing officers with vital military skills, which were previously gapped as a result of a shortage of mid-grade officers. Beginning this year, a senior SWO CSRB of $15,000 to $20,000 annually has been authorized for commanders and captains serving in certain critical operational and overseas billets. The Senior SWO CSRB brings to $191,000 the total amount of SWO Community incentives from DH through the rank of captain. Despite CSRB implementation, the SWO Community continues to experience a critical shortage in control grade inventory (319 O–4, 150 O–5, and 92 O–6).

The Specialty Career Path program was recently developed as an element of Navy's emerging Human Capital Strategy to offer an alternative career path for those choosing not to pursue the traditional SWO command-at-sea career path. While providing these officers with a viable alternative career path, it also helps reduce accessions while helping to mitigate shortfalls in control pay grades. New career paths exist in six specialty areas:

- Antiterrorism/Force Protection (AT/FP)
- Anti-Submarine Warfare
- Missile Defense
- Mine Warfare Specialist
- Shore Installation Management
- Strategic Sealift

This program offers interested officers many potential benefits and opportunities, including:

- Continued Service to our Navy and Nation
- Post Graduate education and JPME
- Improved geographic stability
- Specialty training, education, and experience
- Development of marketable skills for post-Navy employment
- Promotion opportunity to O–5 and O–6

To help reduce over-manning among SWO junior officers, caused by over-accessions in year groups 1999 through 2003, the Secretary of the Navy has authorized release of probationary officers prior to completing their Minimum Service Requirements (MSR). We are currently focused on releasing 300 officers, the majority of whom are in their first or second division officer tour. Officers with approved MSR waivers may request Voluntary Release from Active Duty (VRAD), interservice transfer to the Army under the Blue to Green Program, or may apply for civilian employment at NAVSEA/NAVAIR. To date, 166 officers have been selected for the MSR Waiver Pilot program. The challenge is to execute this force-shaping program while maintaining annual department head school throughput to support the force of record and retaining the confidence that the community is retaining the "best and brightest."

Submarine Warfare Officer Community

Since fiscal year 2003, submarine junior officer retention has remained below requirements, and the submarine community continues to experience poor retention of nuclear-trained Limited Duty Officers (LDOs) beyond 10 YCS.

Within the Submarine Warfare Officer community, junior officer retention requirements are based upon manning at-sea billets. The submarine community measures retention as the continuation rate of officers from 3–7 YCS for a particular YG, enabling the community to determine the number of junior officers available for assignment to submarine DH, nominally at the eight YCS point. Submarine officer retention for fiscal year 2004 (41 percent) fell short of the fiscal year 2004 requirement of 43 percent.

To improve retention, on 1 October 2004, the submarine officer community executed a restructured Nuclear Officer Incentive Pay (NOIP) Continuation Pay (COPAY), and the second phase of a two-stage increase of Submarine Duty Incentive Pay (SUBPAY). Analysis indicates that these changes will improve retention; however, it is too early to determine the impact on fiscal year 2005 retention. Although fiscal year 2005 retention is improving (currently at 33.7 percent), the submarine officer community is projecting that fiscal year 2005 retention will finish short of the 39 percent requirement.

COPAY and SUBPAY changes were developed and implemented to counter the declining retention trend seen early in fiscal year 2004, and were designed to better incentivize junior officers to continue on to serve as a DH. The SUBPAY change was targeted at officers beginning their DH tour and in the control grades to incentivize junior officers to continue through their DH assignment and beyond.

Over the last 5 years, the nuclear-trained Limited Duty Officer (LDO) community cumulative continuation rate (CCR) from 10–15 YCS has been 36 percent (e.g., ap-

proximately two-thirds of all nuclear-trained LDOs who complete 10 YCS retire from the Navy prior to reaching 15 YCS). Nuclear-trained LDOs are critical to providing the necessary technical oversight in nuclear maintenance, repair, nuclear refueling, and new construction. Presently, the nuclear-trained LDO community is short 27 control grade officers (e.g., a 20-percent manning shortfall among pay grades O–4 to O–6). Additionally, Navy has experienced a decline in the number of LDO Program applications received from nuclear-trained, enlisted personnel, since the fiscal year 2001 LDO Board. Although the number of applicants has recently increased, the total number of applications remains insufficient to meet quality requirements among nuclear-trained LDO accessions. While selection opportunity has been approximately 14 percent in years past, it increased to 26 percent for the fiscal year 2006 LDO Selection Board, representing a 12-percent impact on selection quality. Continuation of this low application rate trend will adversely impact LDO manning requirements as a result of insufficient numbers of nuclear-trained LDOs and declining quality standards.

Nuclear Officer Incentive Pay (NOIP) has proven to be an extremely effective tool, over its 35-year history. Largely responsible for improving and sustaining submarine officer retention, and is widely viewed as DOD's model retention incentive program as a result of judicious and responsible management in achieving specific retention objectives. NOIP remains the surest, most cost-effective means of sustaining required retention and meeting Fleet readiness requirements by retaining the appropriate number of high-quality, highly-trained officers, thereby ensuring continuation of an unparalleled historic record of safe reactor operations.

NOIP rate increases in fiscal years 2001 and 2003 favorably impacted 5-year average retention among junior officers, which improved from 30 to 34.8 percent between fiscal years 2000 and 2004. Maintaining statutory cap authority above current rates has allowed for more timely response to unanticipated, rapidly emerging declines in nuclear-trained officer retention than can be accommodated by established legislative or budgetary cycles.

Maintaining the flexibility and agility to incentivize LDO retention beyond the 10 YCS minimum requirement will correct the nuclear-trained LDO community's control grade officer shortage. Incentivizing enlisted personnel to apply for commissioning through the nuclear-trained LDO community is critical to correcting the low application rate trend, thereby enhancing quality selectivity standards and, ultimately, improving attainment of necessarily stringent LDO manning requirements.

Naval Special Warfare

Overall the Naval Special Warfare Officer (NSW) Community is healthy, manned at 99 percent of assigned billets. Nonetheless we remain faced with a number of manpower and personnel challenges. We continue to work diligently to retain our most highly trained, qualified and dedicated personnel in the face of increasing competition from both civilian and other government agency sources as prosecution of the global war on terrorism continues to increase the demand for aggressive, intelligent, independent, and well trained warriors.

To meet increasing U.S. requirements for NSW forces around the world, the community has reorganized into squadrons, with a self-sufficient O–4 Task Unit organization as our "maneuver unit" on the battlefield. The associated increased requirement for a lieutenant commander and commander, as well as 76 Joint O–4 and O–5 staff jobs, has strained our inventory. The NSW community is undermanned in pay grades O–4 (86 percent) and O–5 (96 percent) and we are using Naval Special Warfare (SPECWAR) Officer Continuation Pay to target these shortfalls. SPECWAR pay targets the post platoon commander inventory with a continuation bonus of up to $15,000 per year for a 5-year commitment, and has dramatically improved cumulative continuation at 6–11 YCS from 37.7 percent prior to its implementation to between 73.7 and 62.8 percent over the past 3 years. However, increasing competition from the private sector combined with sustained high operational tempo continues to inhibit the community's ability to close the gap. NSW is working to improve mid-grade and senior officer retention by offering command pay to select NSW O–5s, including LDOs junior officer manning within the community remains healthy and we continue to assess 59 officers per year to meet 28 platoon commander tours (department head equivalent). As future platoon commander requirements grow to 34 percent, beginning in fiscal year 2008, it becomes increasingly critical that we improve mid-grade officer manning. NSW officers seek opportunity for command in operational environments and the global war on terrorism has presented that opportunity, which should improve future retention among our most qualified and brightest officers.

NAVY RESERVE

Mobilization/Demobilization

Since the September 11 attacks, Navy has mobilized over 28,000 sailors in support of the global war on terrorism. Just over 4,000 Reserve component personnel are mobilized today. Navy has achieved an exceptional level of mobilization readiness, with only a small percentage of mobilized reservists being identified as medically unable to deploy.

Our exceptional Reserve component sailors are integrally involved in rebuilding Iraq and fighting terrorism worldwide. Over 40 percent of construction battalion (Seabees) personnel deployed to Iraq are reservists. Expeditionary Logistics Support Force sailors are filling a vital combat service support role as customs inspectors. A detachment from Helicopter Combat Support Special Squadron FIVE (HCS 5) is providing direct support to ground forces in theater. Navy reservists are actively engaged and serving with distinction in this monumental endeavor.

Our commitment to Reserve component sailors continues through the demobilization process. Our goal is to return the demobilizing sailor to their home communities as quickly as possible. However, we remain attentive to ensuring that any sailor with ongoing medical issues receives all appropriate care prior to deactivation. Toward that end, we send most demobilizing sailors who are medically-flagged to one of two Navy Mobilization Processing Sites, Norfolk or San Diego, both co-located with Navy Fleet Hospitals, capable of meeting the full range of medical needs prior to a sailor's release from Active-Duty. In unique circumstances, other NMPS sites may be used as long as they are adequately equipped to meet required standards of care. Navy remains committed to consistently meeting the needs of our sailors.

NAVY RECRUITING

Navy recruiting has consistently met, or exceeded, aggregate recruiting goals since 2000, allowing more selectivity, resulting in increased recruit quality. For example, 12 percent of current recruits have college experience, a 300-percent increase since 2000. More than 95 percent of new recruits possess high school diplomas. Diversity officer applications have increased by 16 percent since 2002.

Operational Single Force

Commander, Navy Recruiting Command (CNRC), in Millington, Tennessee, has continued the process of consolidating Active and Reserve recruiting that began in fiscal year 2003. In fiscal year 2004, we conducted several pilot programs to evaluate the impacts of the organizational change on Active and Reserve accession missions. As a result, as of February 2005 all recruiting activity has been consolidated under 31 Navy Recruiting Districts (NRDs). Additionally, the fiscal year 2004 budget merged Active and Reserve component recruiting Operations and Maintenance (O&M) accounts. Through this unity of effort, we expect to maximize effectiveness and realize operational efficiencies. Throughout fiscal year 2005, we will continue the restructuring effort to produce enterprise-wide savings by streamlining the organization and eliminating excess overhead.

Enlisted Recruiting

Navy recruiting experienced another highly successful year in fiscal year 2004, by attaining our numerical accession goals and improving upon recruit quality over the previous fiscal year. These successes were aided by record retention, which enabled lower accession missions, as well as favorable economic conditions and a professional and well-resourced recruiting force. Nevertheless, the continued need to improve the quality and diversity of new accessions to build our future Fleet presents opportunities. Economic conditions that have contributed to retention and recruiting successes are not expected to continue. The national unemployment rate has declined from 6.0 percent, at the beginning of fiscal year 2004, to 5.2 percent, in January 2005, and is forecast to remain near that level. While the Middle East situation has not yet adversely impacted Navy recruiting efforts, prolonged operations could eventually harm retention, necessitating a sudden surge in recruiting goal. While re-normalization of the Armed Services Vocational Aptitude Battery (ASVAB), in July 2004, better reflects the youth population, recruits who would have been eligible to serve in the past are no longer eligible. The full impact of re-norming will only begin to be felt next year as recruits who were "grandfathered" by policy pass through the system. With such uncertainty looming on the recruiting horizon, it is critical that advertising and recruiting budgets remain sufficiently robust to adjust for changes to the recruiting environment and to support continued pursuit of increasing recruit quality.

In fiscal year 2004, Navy Recruiting attained 100 percent of active duty accessions, of which 95.6 percent were High School Diploma Graduates (HSDG)—well above the DOD minimum standard of 90 percent—and 69.9 percent scored in Test Score Categories (TSC) I–IIIA (i.e., upper 50 percent) of the Armed Forces Qualification Test (AFQT)—again well above the DOD minimum standard of 60. Additionally 12.5 percent of recruits had some college experience prior to reporting to active duty. CNO Guidance for 2005 is to maintain the same HSDG and TSC I–IIIA quality while increasing the number of college accessions to 15 percent. Through January 2005, we are on track to meet accession mission and HSDG and TSC I–IIIA objectives, but still have work to do to meet the college objective. The College First Delayed Enlistment Program, authorized in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, will help penetrate the college market in the future, but the rigors involved in starting the program will prevent any accessions until fiscal year 2006. Of particular note on the quality front, in fiscal year 2004, 51.3 percent of African-American accessions were in TSC I–IIIA, which facilitates greater diversity representation among Navy's more technical ratings. This is the first year all diversity groups attained at least 50 percent TSC I–IIIA.

In fiscal year 2004, Navy attained 102 percent of Selected Reserve (SELRES) accessions. A 20 percent mission increase over last year makes fiscal year 2005 very challenging and we have fallen behind our recruiting goals through the first quarter. However, the newly consolidated single recruiting force has enabled us to mitigate this challenge by shifting 166 Active-Duty recruiters and $3.85 million in advertising funding to support the Reserve mission. Because Navy Reserve relies heavily on attracting prior-service sailors, historically unprecedented retention successes among active enlisted personnel have led to an inevitable decline in the number of available prior-service veterans. To counter the effects on Reserve recruiting, we are actively engaging the Fleet to help transition sailors, leaving the active Navy, into the Reserve component. In fiscal year 2004, Navy accessed 998 recruits under the National Call to Service (NCS) Enlistment Incentive Program, and plans to access 1890 in fiscal year 2005. This program has successfully expanded the opportunity for young Americans to serve our country. Likewise, it has presented a dual benefit to Navy because NCS recruits have been high quality, scoring six points higher than the average recruit on the AFQT, and because, upon completing their training and Active-Duty commitment, the first of which will be in fiscal year 2006, they will enter the ranks of the Reserve Force.

Officer Recruiting

Fiscal year 2004 produced mixed results in the area of officer recruiting. We met 22 of 24 Active-Duty officer community goals, including all unrestricted line, restricted line, and staff corps community goals. Dental Corps and Nurse Corps were the only officer communities that did not achieve annual goal. For Reserve officers, several communities that require prior-service experience did not meet accession goals contributing to attainment of just 87.5 percent of the overall officer SELRES accession mission. We continue our efforts to increase diversity within the officer corps to more closely mirror diversity representation among Americans receiving Bachelor's degrees. We increased Active-Duty officer diversity new contracts from 21 percent in fiscal year 2003 to 22.6 percent in fiscal year 2004, while Reserve new contract diversity declined from 22.3 percent in fiscal year 2003 to 17.4 percent in fiscal year 2004. Meeting the goals for medical officers will be difficult for both Active and Reserve recruiting. Once again, officer communities that specifically require prior-service accessions, such as aviation (pilots) and surface warfare remain challenging, as continued retention successes in the Active component reduces the pool of prior-service officers who are the primary Reserve component target market.

Reserve Officer Retention

Retention for SELRES officers continues to be outstanding. Most SELRES officer communities are at 100 percent manning while aggregate SELRES manning is at 99.4 percent. Some shortages exist in junior ranks of communities requiring prior-service personnel, such as aviation and surface warfare. Accession goals for junior officers in these communities will continue to be challenging because of high Active-Duty retention rates. Among communities in which prior-service is not an accession prerequisite, such as in the public affairs and Intelligence Communities, requirements are being effectively met though direct accession commitments. The downside of direct accessions is the extensive training and experience required before these officers are ready to become mobilization assets.

QUALITY-OF-LIFE—COMMUNITY SUPPORT PROGRAMS

As fiscal year 2004 came to a close, we completed the successful realignment of Morale, Welfare and Recreation (MWR), Child Care, and Fleet and Family Support program management functions from the Bureau of Navy Personnel (BUPERS) to Commander, Navy Installations (CNI) Command. The realignment streamlined operational management, while maintaining within BUPERS a significant policy and assessment arm for MWR, Child Development, and Fleet and Family Support Programs. The seamless transition was transparent to customers and field activities with no disruption in support services.

MWR Fleet Readiness

Expanding MWR Fleet Readiness Support remained our top priority program initiative in fiscal year 2004. In support of deployed units, we realigned funds and used supplemental funding to enhance fitness and recreation support, enabling us to upgrade and replace fitness equipment aboard fleet units. As a result, nearly 130,000 pieces of recreation and fitness equipment were delivered to the fleet to replace worn, high-demand, equipment. An additional 1,250 pieces of recreational gear were provided to 32 commands/units in isolated and remote areas of the world to enhance morale and quality-of-life.

Our Civilian Afloat Program continues to thrive by providing recreation (Fun Boss) and fitness (Fit Boss) professionals, who live and work aboard various aircraft carriers and amphibious assault ships to provide positive leisure programming and support. We believe there continues to be substantiated quality-of-life benefits from providing fitness and recreational opportunities for deployed sailors and marines and by ensuring they are afforded wholesome leisure opportunities both aboard ships and in ports of call.

Sexual Assault And Victim Intervention (SAVI)

Sexual assault prevention and victim intervention are high priority efforts throughout the Navy, especially at the highest levels of the chain of command. Not only are such incidents illegal, but they are particularly detrimental to mission readiness, including the retention of servicemembers. While Navy has had a model SAVI program since the early 1990s, we recognize the need to continue strong pursuit of a zero tolerance environment while continually improving confidentiality for, and support to, alleged victims.

Navy contributed significantly to the work of the DOD Care for Victims of Sexual Assault Task Force. Furthermore, we commend and fully support congressional direction, enacted in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, to implement policy changes based on DOD Task Force recommendations. Navy has an aggressive plan in place to adopt the revised definition, upgrade its training, improve reporting and leadership awareness, strengthen confidentiality and adopt a case management approach to improve sexual assault response capability.

Casualty Assistance

There is no more noble a cause than that of rendering prompt and compassionate care to a Navy family when one of our sailors dies or becomes seriously ill or injured. While Navy has long supported this most important role, we continually need to assess the strengths and weaknesses of our program. Approximately 1 year ago, I directed a detailed review of our entire casualty assistance process to ensure that we were, in fact, taking care of our own. This initiative led to the swift implementation of several program changes to offer better assistance to Navy families in need.

A well-designed system exists for Casualty Assistance Call Officer (CACO) assignments within the Navy structure. Under current operating procedures, regional coordinators carry out the principal training of CACOs and subsequent assignments to assist surviving family members within their respective areas of responsibility. Generally, each region trains a specific number active duty personnel from among the commands in the region to serve as CACOs. Assignment as a CACO is a total force mission requirement that assumes priority over all other assigned duties.

When assigned to assist surviving family members following a sailor's death, the CACO notifies the next of kin as soon as possible, but typically within 24 hours of the death. Every effort is made to arrange for a Navy chaplain to accompany the CACO to offer moral support and pastoral care to the family during this important and extremely sensitive mission. Initial information provided to surviving family members about the death is limited to known facts, and as a consequence, is often necessarily vague. The final cause/determination of the death and related circumstances is conveyed to the family consistent with a medical examiner's determination. During the initial notification visit, or in some cases during the second

visit to assist the next of kin, the CACO presents the death gratuity to assist the family with immediate expenses while awaiting disbursement of other survivor benefits and final pay and allowances.

In the days following initial notification, the CACO assists the family in making funeral arrangements, filing claims for benefits and entitlements and, should the family so decide, relocation of the family and household effects. The CACO's duties often last from a number of weeks, but in some cases may continue for a number of months, as long as the family requires and desires such assistance to adjust to the tragic circumstances that have befallen them.

Throughout the process, the CACO is guided and mentored by a worldwide network of certified as grief and bereavement facilitators who serve as Regional Casualty Coordinators or on the Navy headquarters staff in Millington, Tennessee. This mission requires an extreme degree of sensitivity, focus and accuracy, in which there is no margin of error. The ultimate mission is to minimize any additional pain and anguish that already grief-stricken families must endure.

Similar procedures exist to lend support to families of sailors who become seriously ill or injured. In these cases, our initial purpose, beyond notifying the family, is to assist them in traveling to the bedside of the sailor in as timely a manner as possible. Seriously ill or injured patients tend to recover more quickly when nurtured and bolstered by the physical presence of their loved ones. Navy provides funding for travel (including per diem) and transportation costs to transport three (or, in some cases, more) eligible family members to the bedside of a sailor who is medically declared seriously ill/injured or very seriously ill/injured. Should the member need additional time to recuperate, they may be placed on convalescence leave and/or limited duty. If placed on limited duty, they may serve in that capacity for a period of 6 months, with a possible extension of 6 additional months prior to referral, as necessary, to the Physical Examination Board (PEB).

We have made great strides in achieving and enhancing our casualty assistance mission. Improvements have been gained in our casualty reporting process by streamlining the amount of information needed to notify the loved ones of those reported as casualties. We have also successfully integrated a Navy Reserve unit to augment the standing Casualty Assistance Division to increase mission capability and to reduce manpower requirements. We continuously review our casualty assistance programs, initiating changes as appropriate to provide timely and compassionate notification and assistance to sailors and their families confronted with such tragic circumstances for as long as they may require.

Transition Assistance Management Program (TAMP)

The Navy Transition Assistance Management Program (TAMP) coordinates Transition Assistance Program (TAP) workshops at 65 shore-based sites worldwide and, when requested, conducts TAP classes aboard ships at sea. These specialized classes assist sailors, including disabled members who are retiring or otherwise separating from the Navy as they transition to civilian life or prior to a decision to return to Active-Duty. During fiscal year 2004, we conducted 3,874 TAP workshops for 78,108 military personnel. Another 103,170 military personnel utilized other transition assistance training services, e.g., resume writing, interview techniques and assistance in understanding benefits. This program is estimated to have reduced unemployment insurance compensation by $120 million since fiscal year 1993.

Program accomplishments during 2004 include:

- Development of the first lifecycle approach to career management that will parallel career development and career change strategies. To complement this approach, workshops were developed for first-term and mid-career sailors. They have been well received by attendees.
- Delivery of at-sea shipboard TAP workshops in partnership with the Departments of Labor (DOL) and Veterans Affairs (VA), which provided facilitators to deliver training.

Current TAMP initiatives include:

- Expanded use of DOL TAP Facilitators at overseas locations, including support on Diego Garcia and expanded VA services to the Middle East.

Fitness Program—Cornerstone of Personal Readiness

The Navy Fitness program continues to improve and support the fitness goals of the Chief of Naval Operations. Our goal is to provide ready access, for sailors and their family members, to high quality fitness programs and facilities dedicated to their total fitness needs. Navy MWR is committed to providing support to every sailor in achieving optimum fitness levels wherever they may be stationed. MWR maintains about 142 fitness centers at 90 bases in addition to supporting Naval Reserve

Centers and various Defense Attaché Offices in the Pacific Area as designated by DOD policy.

Single Sailor—"Liberty Program"

Navy's Single Sailor Program, also known as the "Liberty Program" is a core MWR program designed to address the recreation needs of 18 to 25 year old single sailors, the majority of whom live aboard ship or in barracks. We have 96 active installation-level programs, 88 of which are located in dedicated facilities on piers and in barracks areas, making the program readily available to those who use it the most. Our objective is to provide a recreational environment free from alcohol and tobacco for sailors desiring to relax, participate in healthful leisure activities and have a quiet place to socialize with friends and relax.

Navy Movie Program

Watching movies is one of the most popular recreational activities for Active-Duty personnel and their families. Each ship receives a monthly shipment of at least 16 new movies in 8mm format, generally 2 or more months before they are available stateside for video rental. Ships can maintain a movie library with more than 800 titles. We also provide movies in 35mm format to 46 bases that operate commercial style theaters.

With the cooperation and support of the major motion picture studios, Navy has been able to provide units the benefit of an extensive early tape release service. Navy receives and distributes newly released films to overseas ships and units ashore two weeks after opening in commercial theaters.

Child Development and Youth

Sailors and their families continue to rank as very high child and youth programs as an integral support system for mission readiness and deployments. To meet the demand, multiple delivery systems are offered to include child development centers, child development homes, child development group homes, school-age care, and resource and referral.

In fiscal year 2004, we achieved 69 percent of DOD potential need, 100 percent DOD certification, and 97 percent accreditation of our programs by the National Association for the Education of Young Children (NAEYC). Our objective for 2005 is to ensure that all Navy child development centers are accredited. This tells our Navy families that their children are receiving top quality care that equals or exceeds the highest national standards.

Families attending the 2002 and 2004 Navy Family Team Summits expressed a need for extended hours for childcare to meet the needs of shift workers and watch standers in support of the global war on terrorism and other military operations. In fiscal year 2003, the Navy launched pilot sites in Navy Region Mid-Atlantic and Hawaii. These pilot programs include additional in-home care providers that offer care around the clock as well as two new child development group homes. In 2005, we are expanding these programs to Naval Air Station Sigonella and Navy Region Southwest.

Fleet and Family Support Program

On the home front, Navy's Fleet and Family Support Program (FFSP) ensures that sailors and their families are ready to meet the challenges of deployments and the Navy lifestyle. Major FFSP services include personal financial management, family advocacy, spouse employment, transition assistance, and relocation assistance, crisis intervention and individual, marital, and family counseling, all of which have a direct and positive link to readiness. FFSP is accredited through adherence to a Navy-wide system of quality and service delivery standards.

Fleet and Family Support Centers (FFSC) and their satellite activities provide convenient access for naval personnel and family members. The range of services provided prepares family members to anticipate and understand the demands associated with Navy lifestyle and the mission responsibilities of their military spouses or parents and provide personal counseling when they need help in coping with issues which arise. Pre-deployment briefings are provided to military members, spouses, and children prior to deployment. Special emphasis is given to prepare families to cope with the suddenness of some deployments.

Return from deployment and reunion with family members also presents a range of needs for our military personnel and families. FFSP staff met all fleet requests for return and reunion teams in fiscal year 2004. These shipboard programs focus on the adjustment challenges of returning to spouses and children, children's developmental stages, and "baby showers" for sailors who became parents during the deployment. Staff introduces new parents to infant care and parenting skills during these events. Staff also provides information on car buying and consumer education,

as well as orientation to what's happened at home while the ship or squadron was deployed. This year information on combat related stress was added to the stress management lectures. Similar programs are offered to the family support groups to facilitate their reunions.

Navy "OneSource"

In assessing our Navy deployment support efforts, we found there was a need to improve our ability to provide accurate, timely and easily accessible information and referral services. This was particularly apparent for families of Reserve personnel called to duty. We also recognized that all our personnel and families would benefit greatly from improved communications. Therefore, Navy has partnered with the Office of the Secretary of Defense (OSD) to offer a contracted, 24 hour-per-day, 7 day-per-week, 365 day-per-year, toll-free telephone number and web-based "OneSource" service. Extensive marketing and installation rollout briefings have been completed and first-year usage has been consistent with expectations. In this second year of the contract, Navy has requested more marketing, briefings and outreach to Reserve families prior to mobilization.

Fleet Feedback

In assessing the quality and adequacy of quality of life programs we use a range of surveys, program assessments, and certification processes. We periodically survey sailors, spouses and Navy leaders to ensure we offer a range of quality programs that address their recreational and life-support service needs. In addition, customer feedback is considered as we set program priorities for the continental United States (CONUS), overseas, and shipboard support of sailors and their families. The MWR/Navy Exchange Board of Directors provides a forum with Navy senior leadership to oversee and assess program requirements and needs of naval personnel.

CONCLUSION

Mr. Chairman and distinguished members of this personnel subcommittee, the dedicated men and women of the world's premier naval force continue to sustain our forward worldwide presence on a daily basis in this fourth year of the global war on terrorism. As the CNO has made very clear, "At the heart of everything good in our Navy today is this: we are winning the battle for talent. This is the highest quality Navy the Nation has ever seen." Your continued support for our force-shaping initiatives and programs will maintain that high quality and prepare us to better meet the challenges of the 21st century. In this way, we will collectively set the stage to project greater power and provide greater protection to our Nation—enhancing our security in the dangerous and uncertain decades ahead.

Senator GRAHAM. Thank you.

General Osman.

STATEMENT OF LT. GEN. H.P. OSMAN, USMC, DEPUTY COMMANDANT FOR MANPOWER AND RESERVE AFFAIRS, UNITED STATES MARINE CORPS

General OSMAN. Mr. Chairman, Senator Nelson, I thank you for this opportunity to appear before you today to give you a report on the personnel status, as well as the future manpower picture, of your Marine Corps. I want to thank you up front for the great support that you have given to the individual marine and, just as important, his family.

I think you know that today's marine is a marine of character. He has a strong work ethic, sound moral fiber, and desires to be challenged. On that last note, I think we have been able to succeed in that the last couple years. He has been challenged.

I would like to highlight a few points.

First, recruiting. The Marine Corps continues to makes its accession mission as it has been doing for the last 10 years. I will be honest. The last several months, we have actually missed our contracting mission, but I am confident we will get it back on track, and by year's end, we will have the pool that we need to set us up for fiscal year 2006.

The retention picture is very good. We are ahead of last year's retention statistics, and our military occupational specialty (MOS) match, which is very important to make sure we have the right skills, is actually ahead of last year's standard. This is both for our first-termers, as well as our careerists.

I want to thank the subcommittee for your hard work in allowing us to increase our end strength from 175,000 to 178,000. This has been very important for the Marine Corps. It has allowed us to add the marines to the operating forces, put a few more recruiters on the street, and also establish a foreign military training unit. This is an effort that we have to bring ourselves closer to the special operations community and help them in some of their tier 3 missions.

I will talk for a moment about compensation. That can be a double-edged sword. I often say that compensation is one of the issues that allows a marine to stay or it can be one of the issues that drives him home. The key is to make sure that we have a comprehensive compensation package, and I applaud Dr. Chu for forming a compensation panel to take a look in a comprehensive manner at our compensation needs.

I will talk for a minute about the Marine Corps Reserve. Prior to coming to this job last August, I had served for several years as the commanding general of the 2nd Marine Expeditionary Force (MEF), a 46,000 marine and sailor force. As large as it was, we could not have done the missions that we were assigned had it not been for the Reserve establishment. Every time I had an opportunity to talk, I made it very clear that we could not have done what we did had it not been for the Reserves. We really are a Total Force.

The final thing I would like to touch on is quality-of-life. That is a force multiplier. The important pay, as well as the non-pay, benefits to our marines and their families are incredibly important. I often say that we recruit marines but we reenlist families. We really appreciate the great support that you have given us in that regard.

I am optimistic about the overall health of our corps from a personal standpoint.

I look forward to your questions today and stand proud in front of you today as a member of your Marine Corps. Thank you, gentlemen.

[The prepared statement of General Osman follows:]

PREPARED STATEMENT BY LT. GEN. H.P. OSMAN, USMC

Chairman Graham, Senator Nelson, and distinguished members of the subcommittee, it is my privilege to appear before you today to provide an overview of your Marine Corps from a personnel perspective. The continued commitment of Congress to increase the warfighting and crisis response capabilities of our Nation's Armed Forces, and to improve the quality-of-life of marines, is central to the strength that your Marine Corps enjoys today. Marines remain committed to warfighting excellence, and the support of Congress and the American people is indispensable to our success in the global war on terrorism. Supporting the global war on terrorism and sustaining our readiness, while ensuring our forces are prepared to respond to future challenges, is the core of our readiness strategy. Thank you for your efforts to ensure that marines and their families are poised to continue to respond to the Nation's call in the manner Americans expect of their Corps.

RECENT OPERATIONS AND CURRENT STATUS OF FORCES

The emphasis on readiness enables your marines to be fully engaged across the spectrum of military capabilities in prosecuting the global war on terrorism. Our core competencies coupled with the integration of our own organic capabilities produces an agile force capable of fighting the prolonged fight against an adaptive enemy. Our scalable combined arms teams integrate ground and aviation forces with adaptive logistics to create speed, flexibility, and agility in response to emerging crises. We must sustain our readiness and maintain the ability to project our forces close to home, as in last spring in Haiti, and in remote austere environments halfway around the world, as we do today in Iraq and Afghanistan. The Marine Corps' role as the Nation's premier expeditionary force-in-readiness, combined with our forward deployed posture, enable us to fulfill a prominent role in joint operations. The readiness of our forces and the quality of our training enabled our marines to perform in the chaotic, unstable, and unpredictable environments exploited by our adversaries.

Last year, we redeployed 25,000 marines to the Al Anbar province in Iraq. Their focus on readiness, the quality of their training, and their commitment to warfighting excellence enabled them to lead the multi-national force west, which was responsible for providing stability and security throughout the Province. Last spring, we responded to an unplanned Central Command (CENTCOM) requirement in Afghanistan where we provided a reinforced infantry battalion, and aviation combat element, a regimental headquarters, and a Marine Expeditionary Unit (MEU). The success of this force greatly assisted in setting the conditions for the Afghan national elections later in the year and the establishment of a secure and stable government. We continue to provide both ground and aviation forces to provide stability for this new democracy.

Over the last year, we also provided concurrent support for several other regions including the operations in Horn of Africa, the Pacific, peace operations in Haiti, and Tsunami relief in South Asia.

Today we are rotating our forces in Iraq. We expect to reduce our commitment in Iraq to about 23,000 marines and sailors, with Marine Corps Reserve Forces providing about 3,000 of these personnel. Your support ensures their near-term readiness remains strong and our training and equipment is matched to the evolving threat. The entire Marine Corps is supporting the global war on terrorism, and the demand on our force is high. In the past 2 years, we have gone from a deployment rotation of one-to-three (6 months out/18 months back) to our current one-to-one ratio (7 months out/7 months back) for our infantry battalions, aviation squadrons, and other high demand capabilities. Our operating forces are either deployed or training to deploy. Despite this high operational tempo, the Marine Corps continues to meet its aggregate recruiting and retention goals in quantity and quality. The National Defense Authorization Act for Fiscal Year 2005 providing a 3,000 marine increase to our end strength will assist in reducing demands on marines as we increase manning of our infantry battalions.

PERSONNEL READINESS

The Marine Corps continues to answer the call because of our individual marines and the support they receive from their families, the Nation, and Congress. The individual marine is the most effective weapon system in our arsenal. Our ranks are comprised of intelligent men and women representing a cross section of our society. Our marines must think critically and stay one step ahead of the enemy despite an uncertain operating environment; their lives and the lives of their fellow marines depend upon it. Morale and commitment remain high. Marines join the Corps to "fight and win battles" and we are giving them the opportunity to do that.

Force Structure Review

Last year, the Marine Corps completed a review of our Active and Reserve Force structure. We are implementing those recommended force structure initiatives with the majority achieving initial operational capability in fiscal year 2006 and full operational capability by fiscal year 2008. These initiatives are end strength and structure neutral, but will require additional equipment, facilities, and operations and maintenance resources to implement.

Structure changes include the establishment of two additional infantry battalions, three light armored reconnaissance companies, three reconnaissance companies, two force reconnaissance platoons, and an additional Air-Naval Gunfire Liaison Company (ANGLICO) for the Active component. Our existing explosive ordnance disposal, intelligence, aviation support, civil affairs, command and control, and psychological operations assets will receive additional augmentation.

The Reserve component's structure initiatives will further increase the Marine Corps' capability to respond to the global war on terrorism by establishing an intelligence support battalion, a security/anti-terrorism battalion, and two additional light armored reconnaissance companies. Civil affairs and command and control units will receive additional augmentation, and some Reserve units structure will be converted into Individual Mobilization Augmentee (IMA) Detachments—allowing more timely access to these Marine reservists in support of contingency operations. These increased capabilities were "brought" at the expense of a like number of "lesser" required capabilities where we believed risk could be taken.

End Strength

The Marine Corps appreciates the congressional end strength increase to 178,000. A top priority will be to increase the manning in our infantry units. We will also create a dedicated military training unit to assist in the training of the Armed Forces of other nations. We will also add to our recruiting force, our trainers, and other support for the operating forces in order to reduce the tempo of operations on marines and their families. The added end strength will complement the force structure review initiatives.

Military-to-Civilian Conversions

The Marine Corps continues to pursue sensible military-to-civilian conversions to increase the number of marines in the operating force. We are on course to achieve 2,397 conversions in fiscal years 2005 and 2006.

Funding

The fiscal year 2006 budget provides for a total force of 175,000 Active-Duty marines, 39,600 Reserve marines, and 13,200 appropriated fund civilian marines. Approximately 60 percent of our military personnel funding is targeted toward military pay and retired pay accrual. Essentially all of the remaining funds are committed to regulated and directed items such as Basic Allowance for Housing (BAH), Defense Health Care, Basic Allowance for Subsistence (BAS), Permanent Change of Station relocations, and Special and Incentive pays. Only 1 percent of our military personnel budget is available to pay for discretionary items such as our Selective Reenlistment Bonus (SRB), Marine Corps College Fund recruitment program, and Aviation Continuation Pay. Of the few discretionary pays that we utilize, the SRB is crucial. We take pride in our prudent stewardship of these critical resources. For fiscal year 2006, we are seeking an increase in funding to $53.6 million, from $51.8 million in fiscal year 2005. This remains just one-half of 1 percent of our military personnel budget, and it is critical to effectively target our retention efforts. In fiscal year 2005, the Marine Corps has derived great results from our SRB efforts in the infantry MOSs. This proven application of SRB monies is a sound investment. The Marine Corps prudent utilization of the SRB reduces recruiting costs and retains experienced marines in the force. Congresses continued support of our SRB program is critical to the continued health of your Marine Corps. Military personnel funding, as a whole, represents 61 percent of the U.S. Marine Corps' Total Obligation Authority; 39 percent remains for all infrastructure, investment, and operations and maintenance requirements.

Compensation

The Marine Corps appreciates the efforts by this committee to raise the standard of living for our marines. Being a marine is challenging and rewarding. America's youth continue to join the Marine Corps, and remain, in a large part because of our institutional culture and core values. However, it is important that the environment—the other factors in the accession and retention decision—remain supportive, to include compensation. Compensation is a double-edged sword in that it is a principle factor for marines both when they decide to reenlist and when they decide not to reenlist. Private sector competition will always seek to capitalize on the military training and education provided to our marines—marines are a highly desirable labor resource for private sector organizations. The support of Congress to continue increases in basic pay, and ensuring a sound comprehensive compensation and entitlements structure greatly assists efforts to recruit and retain the quality Americans you expect in your Corps. We look forward to the comprehensive reviews of both the Defense Advisory Committee on Military Compensation as well as the Quadrennial Review of Military Compensation.

RECRUITING

Active Component

In fiscal year 2004, the Marine Corps achieved 103.6 percent of enlisted contracting and 100.1 percent of enlisted shipping objectives. Nearly 98 percent of those shipped to recruit training were Tier 1 high school diploma graduates, well above the Department of Defense (DOD) and Marine Corps standards of 90 percent and 95 percent, respectively. In addition, 71.6 percent were in the I–IIIA upper mental testing categories; again well above the DOD and Marine Corps standards of 60 percent and 63 percent, respectively. Thus far in fiscal year 2005, we have assessed (shipped) 14,170 marines which represents 100 percent of our accession mission to date. We fully anticipate meeting our annual accession mission. We did fall 84 short in January and 192 short in February, 277 short of our self-imposed contract mission, but overall we are at 99.2 percent of contract mission for the year. As concerns officers, we accessed 1,447 in fiscal year 2004, 100 percent of mission, and we are on course to make our officer accession mission in fiscal year 2005.

Reserve Component

Recruiting for our Reserves, the Marine Corps similarly achieved its fiscal year 2004 enlisted recruiting goals with the accession of 6,165 non-prior service marines and 2,941 prior service marines. Through February of fiscal year 2005 we have accessed 2,190 non-prior service and 1,221 prior service, which reflects 36 percent and 54 percent of our year to date mission, respectively. Again, we project to meet our recruiting goals this year. For our Reserve component, officer recruiting and retention for our Selected Marine Corps Reserve units is traditionally our challenge, and remains the same this year. This challenge exists primarily due to the low attrition rate for company grade officers from the Active Force. The Marine Corps recruits Reserve officers exclusively from the ranks of those who have first served a tour as an Active-Duty Marine officer. We are exploring methods to increase the Reserve participation of company grade officers in the Selected Marine Corps Reserve through increased command focus on Reserve participation upon leaving Active-Duty, and Reserve officer programs for qualified enlisted marines. The legislation to authorize the payment of the affiliation bonus will help in this effort.

Accomplishing the Mission

The Marine Corps' recruiting environment is dynamic and challenging, particularly with regards to market propensity. Part of the challenge is due to an increased Active-Duty accession mission to meet the additional authorized end strength in the Marine Corps. Our success in the future will hinge on our ability to overcome our target market's low propensity to enlist and the increased cost of advertising, while maintaining innovation in our marketing campaign. Marketing by its very nature requires constant change to remain relevant. While our brand message of "tough, smart, elite warrior" has not changed, the Corps continues to explore the most efficient manner to communicate and appeal to the most qualified young men and women of the millennial generation. Currently, we are looking to expand methods to influence the parents of potential applicants. Parents are the primary influencers of the high school student population and it is important that we educate them on the benefits of serving in the Marine Corps.

Ensuring young men and women and their parents hear and understand the recruiting message requires continual reinforcement through marketing and advertising programs. To do this we continue to emphasize paid media, generating leads for recruiters, and providing the recruiters with effective sales support materials. Quality advertising aimed at our target market provides the foundation for establishing awareness about Marine Corps opportunities among young men and women.

Paid advertising continues to be the most effective means to communicate our message and, as a result, remains the focus of our marketing efforts. As advertising costs continue to increase it is imperative that our advertising budgets remain competitive in order to ensure that our recruiting message reaches the right audience. Marine Corps recruiting successes over the past years are a direct reflection of a quality recruiting force and an effective and efficient marketing and advertising program.

Recruiter Access

The Marine Corps continues to benefit from the legislation enabling recruiter access to high school student directory information, the same as afforded other prospective employers. America's youth can learn about career opportunities in both the public and private sectors now that our recruiters are afforded equal access. We look forward to your continued support as we strive to meet the increasing challenges of a dynamic recruiting environment.

RETENTION

A successful recruiting effort is but one part of placing a properly trained marine in the right place at the right time. The dynamics of our manpower system must match skills and grades to our commanders' needs throughout the operating forces. The Marine Corps endeavors to attain and maintain stable, predictable retention patterns. However, as is the case with recruiting, civilian opportunities abound for marines as employers actively solicit our young Marine leaders for private sector employment. Leadership opportunities, our core values, and other similar intangibles are a large part of the reason we retain dedicated men and women to be Active-Duty marines after their initial commitment. Of course retention success is also a consequence of the investments made in tangible forms of compensation and in supporting our operating forces—giving our marines what they need to do their jobs in the field, as well as the funds required to educate and train these phenomenal men and women.

Enlisted Retention

We are a young force. Achieving a continued flow of quality new accessions is of foundational importance to well-balanced readiness. Within our 154,600 marine Active-Duty enlisted force, over 27,000 are still teenagers and 104,000 are on their first enlistment. In fiscal year 2004, we reenlisted 6,019 first term marines with a 97.7 percent MOS match. In fiscal year 2005, our career force requirement requires that we reenlist approximately 25 percent of our first-term marine population. To better manage the career force, we introduced the Subsequent Term Alignment Plan in fiscal year 2002 to track reenlistments in our Active career force. In fiscal year 2004, we again met our career reenlistment goals and achieved a 96.6 percent skill match. For our Reserve Force, we satisfied our requirements as we retained 73.8 percent in fiscal year 2004 slightly above our historical norm of 70.7 percent.

For fiscal year 2005, we are off to a strong start. The SRB program greatly complements our reenlistment efforts and clearly improves retention within our critical skill shortages. In fiscal year 2005, the Corps is continuing to pay lump sum bonuses, thus increasing the net present value of the incentive and positively influencing highly qualified, yet previously undecided, personnel. It is a powerful influence for the undecided to witness another marine's reenlistment and receipt of his or her SRB in the total amount. With the added benefit of the Thrift Savings Program, our marines can now confidently invest these funds toward their future financial security. The Marine Corps takes great pride in prudent stewardship of the resources allocated to the critical SRB program.

A positive trend continues concerning our first term non-expiration of Active service attrition—those marines who depart before their enlistment is completed. As with fiscal years 2003 and 2004, we continue to see these numbers decrease. The implementation of the crucible and the unit cohesion programs continues to contribute to improved retention among our young marines who assimilate the cultural values of the Corps earlier in their career.

Officer Retention

Overall, we continue to achieve our goals for officer retention. We are retaining experienced and high quality officers. Our aggregate officer retention rate was 91.0 percent for fiscal year 2004, which is our historical average. Current officer retention forecasts indicate healthy continuation rates for the officer force as a whole. Reserve officer retention in fiscal year 2004 was 75 percent, slightly below the historical average of 77 percent. For the current year, Reserve officer retention is back above the historical norms. It is important to note that high retention in the Active component reduces the number of officers transitioning (thus accessions) into the Selected Marine Corps Reserve.

MARINE CORPS RESERVE

Our Reserve component continues to do an exceptional job augmenting and reinforcing our Active component in support of the global war on terrorism. Ready, rapidly responsive Marine Reserve Forces provide the depth, flexibility, and sustainment vital to the success of our Marine Air Ground Task Forces. To date, over 36,000 Reserve marines have served on Active-Duty since September 11. The Marine Corps Reserve continues to recruit and retain the men and women willing to effectively manage their commitment to help in winning the global war on terrorism while maintaining their commitments to their families, their communities and their civilian careers.

Thanks to strong congressional support, the Marine Corps has trained and equipped its Reserve to be capable of rapid activation and deployment. This capa-

bility allows Reserve combat deployments to mirror those of the Active component in duration.

More than 13,000 Reserve marines are currently on Active Duty with over 11,500 in cohesive Reserve ground, aviation and combat support units and nearly 1,600 serving as individual augments in both Marine and Joint commands. Sixty-six percent of all mobilized reservists deploy to the CENTCOM area of operations. To support ongoing mission requirements for Operation Iraqi Freedom (OIF), the Marine Corps will activate, reactivate or extend 67 Combat, Combat Support, and Combat Service Support units or detachments. The progression of the current mobilization has reinforced the point that our Reserve Force is a limited resource that must be carefully managed to ensure optimum employment over a protracted conflict.

As mentioned, recruiting and retention remain a significant interest as the Marine Corps Reserve continues its support for the global war on terrorism. Incentives are an integral tool that aides the proper manning of our Reserve Force. The funding increases and flexibility inherent in the Reserve incentives you provided in the National Defense Authorization Act for Fiscal Year 2005 are an invaluable asset to assist in our continued recruitment and retention mission. The approved legislation allowing payment of an affiliation bonus for officers to serve in the Selected Marine Corps Reserve will greatly assist in increasing officer participation and meeting our current junior officer requirements.

Healthcare remains an essential part of mobilization readiness for our Reserve component. The assistance provided by Congress in this area since September 11 has been invaluable to Reserve marines and their families who are making significant adjustments in lifestyle to effect successful mobilizations. Increased flexibility and portability of healthcare for these families assists in alleviating one of the most burdensome challenges facing families of deploying Reserve marines.

In an effort to ensure a well-balanced total force and address any potential challenges that may arise, we are constantly monitoring current processes and policies, as well as implementing adjustments to the structure and support of our Reserve Forces. The Marine Corps made a conscious investment through our Inspector-Instructor Program, which provides a strong cadre of Active marines to support our Selected Marine Corps Reserve units. This ensures Selected Marine Corps units are trained and properly equipped prior to activation, allowing the Marine Corps to effectively train, mobilize, and deploy its Reserve Forces.

In order to meet the operational needs of the global war on terrorism, the Marine Corps is in the process of making adjustments to the force structure of both the Reserve and Active component. Two efforts currently underway to rebalance the force for current and future missions are the IMA study and the previously discussed force structure review. Implementation of the IMA study results will increase the number of high demand/low density specialties available for deployment.

Present policy is to only activate Individual Ready Reserve (IRR) members who have volunteered for duty. The population of activated IRR volunteers to date is 323 officers and 634 enlisted. The two primary means of recruiting IRR volunteers for Individual Augmentee billets is through the use of Reserve Duty On-Line and the Mobilization Command Call Center. Currently there are 1,629 Individual Augment billets being filled by IMAs, IRRs, and retired recall or retired retained marines. These marines have been critical to filling these requirements.

CIVILIAN MARINES

Civilian marines are integral to the Marine Corps Total Force concept. We have approximately 24,000 civilian marines, of which approximately 13,000 are appropriated fund employees, and about 11,000 are non-appropriated fund employees. Our appropriated fund civilian marines, comprise just 2 percent of the total DOD civilian workforce, the leanest ratio of civilians to military in the Department. Our non-appropriated fund personnel are primarily resourced by revenue-generating activities and services such as exchanges, clubs, golf courses, bowling centers, and gas stations. Our civilian marines fill key billets aboard Marine Corps bases and stations, thus freeing Active-Duty marines to perform their warfighting requirements in the operating forces.

Marine Corps Civilian Workforce Campaign Plan

Marines, more than ever before, recognize the importance of our civilian teammates and the invaluable service they provide to our Corps as an integral component of the Total Force. To that end we continue to mature and execute our Civilian Workforce Campaign Plan, a strategic roadmap to achieve a civilian workforce capable of meeting the challenges of the future. We are committed to building leadership skills at all levels, providing interesting and challenging training and career opportunities, and improving the quality of work life for all appropriated and non-appro-

priated civilian marines. As part of our effort to meet our goal of accessing and retaining a select group of civilians imbued with our core values, we have developed a program to provide our civilian marines an opportunity to learn about the Marine Corps ethos, history, and core values—to properly acculturate them to this special institution. All this supports our value proposition, why a civilian chooses to pursue a job with the Marine Corps: to "Support our marines. Be part of the team."

National Security Personnel System

The Marine Corps is actively participating with the Department of Defense in the development and implementation of this new personnel system. Following an intensive training program for supervisors, managers, human resources specialists, employees, commanders, and senior management, we will join with the Department in the first phase of implementation, tentatively scheduled for July 2005. In the Marine Corps, we will lead from the top and have our Headquarters Marine Corps civilian personnel included in the first phase of implementation, known as 'Spiral One.'

INFORMATION TECHNOLOGY

We remain committed to transforming our manpower processes by leveraging the unique capabilities resident in the Marine Corps Total Force System (MCTFS), our fully-integrated personnel, pay, and manpower system that serves Active, Reserve, and retired members. The integrated nature of MCTFS allowed us to develop our Total Force Administration System (TFAS); a web based and virtually paperless administration system that provides marines and commanders 24-hour access to administrative processes via Marine On Line. Our TFAS allows administrative personnel to refocus their efforts from routine tasks to more complex analytical duties, and ultimately will enable greater efficiencies. Additionally, MCTFS facilitates our single source of manpower data, directly feeding our Operational Data Store Enterprise and Total Force Data Warehouse. This distinctive capability provides a reliable source of data to accurately forecast manpower trends, and fuels our Manpower Performance Indicators, which provide near real time graphical representation of the Corps manpower status such as our deployment tempo. Properly managing our manpower requirements and processes requires continued investment in modern technologies and we are committed to these prudent investments.

TAKING CARE OF MARINES AND THEIR FAMILIES

Your marines have an inherent ability to perform well in the most difficult environments, and the current state of combat is no exception. Though we are an expeditionary force, the demands we are now experiencing lends new significance to the term "expeditionary." Still, our marines and their families' bravery, courage, and dedication to mission are unyielding.

Quality-of-Life Investment

The Marine Corps is actively attuned to quality of life. It is important to note the potential long-term mission of the global war on terrorism and the challenge to support our community services infrastructure—both human and material, such as facilities and equipment. The spirit of service on our human side will never diminish, but the current rotation cycle and heightened tempo impacts the resources and time to reconstitute or recapitalize our infrastructure. As previously stated, our longstanding expeditionary nature and manner of operation have enabled our success to date. As this tempo continues, however, our goal will be to ensure no required support is diminished. To the degree possible, we will adapt and reorient existing support capabilities, but we will also need to determine if our support infrastructure requires additional resources for our long-term mission. This assessment will be done in conjunction with our installation commanders.

Funding

In terms of resourcing for quality of life community services programs, I am pleased to note that the Marine Corps achieved the DOD morale, welfare, and recreation (MWR) funding standard of 85 percent for Category A Programs and 65 percent for Category B programs this past year. Our actual fiscal year 2004 percentages were 88 percent and 65 percent, respectively. To achieve this goal, MWR program annual direct Operations and Maintenance Marine Corps and Operations and Maintenance Reserve (O&MMC/R) support budget-based funding has been steadily increased by a total of $15 million from fiscal year 2002 to fiscal year 2005. Our fiscal year 2005 Marine and Family Services direct O&MMC/R support is at $47.5 million, including child development, counseling, transition assistance, relocation as-

sistance, etc.; and voluntary education is at $46.7 million, including tuition assistance.

Housing

It is important to mention that proper housing goes hand-in-hand with our support programs to keep morale high and enhance quality-of-life. We are providing for our young single marines by focusing on housing our junior enlisted bachelor personnel in pay grades of E–1 through E–5 in our barracks, with a goal of providing a room standard that allows two junior enlisted marines (E–1 to E–3) to share a room with a private bath. By assigning two junior marines to a room, we believe we are providing the correct balance between their need for privacy and the Marine Corps' goals to provide companionship, camaraderie, and unit cohesion. Noncommissioned officers (NCOs) in the pay grades of E–4 and E–5 are provided a private room and bath. We have over 170,000 marine family members and we are mindful that the military lifestyle can be unsettling in some respects as it calls for frequent relocations and deployments. To show our families that we appreciate their fortitude in enduring these disruptions, we remain committed to improving family housing. We have, and will continue to, increase our quality-housing inventory through public private ventures and military construction where necessary. Moreover, we are on track to have contracts in place to eliminate inadequate family housing by the end of fiscal year 2007.

Deployment Support

The global war on terrorism mission poses dangers, risks, and periods of separation that test the fortitude and stamina of our marines and their families. In keeping with our ethos that marines are marines for life, our commitment to a continuum of care has never been stronger or more effective. Our installation and operational commanders are working diligently to ensure that both the deploying marine and the marines and families who stay behind are provided support services to enhance their quality-of-life. In this capacity, installation commanders are continuously evaluating on base and deployed support. They utilize all available resources, agencies, and methods of service to broadly plan and deliver seemless support. Our installation commanders reach out to local and national community service partners to expand program access and availability, offer on-line and telephonic assistance programs such as Marine Corps Community Services (MCCS)/Military OneSource, and flex programs as necessary to decrease low utilization services and increase additional demand programs. Finally, as they are closest to the need, they monitor and pulse the community as needed.

Five years ago we renovated and revitalized our community services infrastructure and philosophical approach to support services. We removed program stovepipes that precluded maximum capabilities and focused the "united team" to pull together for the good of the marines and their families. This renovated organization; MCCS is now 5 years old has matured and not only have they pulled together, they know the cadence and direction required. I can personally attest to the wisdom of MCCS, as I was both an installation commander responsible for pushing support and an operational commander pulling support. Beginning with Operation Enduring Freedom (OEF) and continuing through Operation Iraqi Freedom (OIF), MCCS listened, learned, and continues to respond to the needs of marines and their families. I would like to highlight some specific examples of MCCS and other military personnel support.

Throughout all phases of the deployment cycle: during pre-deployment, in-theater, and in post-deployment, the needs of marines and their families are addressed. Additionally, home-station support, which I will discuss below, is a central element of this multi-phased dynamic that sustains all members of the Marine Corps family.

While in a pre-deployment phase, marines and their families are briefed on a variety of issues ranging from deployment coping skills, including the potential of traumatic combat experiences and associated stress, to financial matters, where they take care of wills, powers of attorney, and family care plans. At this stage, marine spouses receive important assistance through Marine Corps Family Team Building Programs such as the Key Volunteer Network (KVN) and the Lifestyle, Insights, Networking, Knowledge, and Skills (L.I.N.K.S.) programs. The KVN is the primary communication link between the commanding officer and unit families. This spouse-to-spouse connection is used by commanders to pass important, factual, and timely information on the status and welfare of the operational unit. L.I.N.K.S. helps our Marine spouses acclimate to our military lifestyle and learn how to survive the challenges associated with frequent deployments and separations. When spouses participate in L.I.N.K.S. prior to deployments, this training is recognized as a readiness multiplier. This means those spouses who took advantage of L.I.N.K.S. are more

prepared for the experience of separation and rigors of deployment. Both KVN and L.I.N.K.S training programs are now available online and have CD–ROM versions for families away from a base or station, or if they are too busy to attend classes.

To maintain our high level of morale and commitment and help ease mission-related anxieties during deployment, MCCS and other agencies provide support to deployed marines in many different forms, and we adjust these support mechanisms as the intensity of the mission changes. We have Tactical Field Exchanges, phone service, free Internet service and expedited mail service. At the camps in Iraq there is a variety of MWR equipment.

As I have discussed, the Marine Corps Exchange supports deployed marines but it is also an important center of activity aboard our installations. As part of the non-pay benefits system, we rely upon the exchange to provide value through the sale of goods and services, but to also contribute dividends to support MWR programs that help to make installations home for our marines and their families.

It is well recognized that mail, voice or other communication, is the most significant morale enhancer for anyone separated from loved ones. Beyond quality phone and mail service to keep our deployed marines in touch with their loved ones back at home, we have a new communication alternative that we call "MotoMail," for motivational mail. MotoMail allows family and friends to rapidly communicate with deployed marines who do not have Internet access readily available. To connect, friends and family go to an established website and send an email to the deployed marine, where it is downloaded and automatically printed, folded and sealed by our Postal Marines for complete privacy. The messages are usually delivered within 24 hours or less. As of February 22, more than 59,000 MotoMail letters have been delivered.

Reducing Stress

To deal with individual and readiness concerns in theater, the Marine Corps has a range of proactive counseling services. We are ever watchful for symptoms and risks of untreated combat stress and its signs, and advise marines of the resources available for treatment. We also provide in-theater counseling through the Operational Stress Control and Readiness (OSCAR) program, which embeds mental health professionals within the Marine Division, where they offer counseling in close a proximity to the combat operations as possible. OSCAR keeps marines with low-level problems at their assigned duties and allows those with more severe conditions to immediately receive appropriate treatment. Reports indicate that units implementing the OSCAR program have a marked decrease in MEDEVACs for mental health reasons. Before marines depart theater, we have a decompression period when military chaplains provide our warrior transition brief. The brief consists of sessions designed to help marines realize that they have been in combat, that they are preparing to rejoin their families at home, and where they want to go with relationships in their personal lives.

In the post-deployment phase, when marines are back at their home station, there is a decompression period before they are permitted to go on leave. Supportive services are available on installations through chaplains, medical treatment facilities, and MCCS for combat stress related issues, relationship enrichment, drug or alcohol abuse, domestic violence, and financial management. Additionally, Marine families are supported by MCCS counseling and advocacy programs and a spouse return and reunion briefing, which is provided on a voluntary basis to interested spouses.

As I referenced earlier in this testimony, deployment support includes important home-station support. We have a wide array of services to strengthen family readiness. The Marine and Family Services Program provides counseling as needed, child development programs and respite child care services, support for marines with exceptional family members, personal financial management guidance, and information hotlines to provide accurate information, useful resources, and helpful referrals pertaining to our deployments. We also provide recreational and stress alleviating opportunities to help them through the separation and provide a sense of normalcy as they carry on until their marine returns.

Child Care

With regard to child development, we fully realize that when a parent deploys, the remaining parent can experience stress and burnout. Parenting issues can add to the stress placed on families during these times. We thank you for the supplemental funds you provided last year. We are using them to provide respite care, extended childcare hours, childcare during deployment briefs, and deployment training materials geared for children. We also sponsored the Enhanced Extended Child Care Initiative, which reduces stress on Marine Corps families by providing care during nontraditional hours (i.e., evenings, weekends, and holidays). It is also de-

signed to lower costs for military families during periods of training, deployments, family emergencies or illness. To help our families that reside in remote and isolated areas, we are developing a partnership with the National Association of Child Care Resources and Referral Agencies to provide comprehensive childcare consumer education and referrals.

Beyond addressing parental burnout, we are also mindful that wartime deployments take their toll on the very youngest members of our Marine families. We work to help these youngsters cope with what can be very confusing and frightening situations. For example, we have a new deployment video, "Nothing to Worry About," for Marine Corps families, especially children ages 4 to 10. It will help families to understand the impact of deployment on children and help children better understand what their parents may be doing and experiencing while deployed. It also discusses means for communication between the children and the deployed parent. In addition, Marine and Family Services at Camp Pendleton has partnered with the National Child Traumatic Stress Network and the Naval Hospital Department of Psychiatry at San Diego to develop appropriate protocols to assess the impact of a parent's combat-related traumatic exposure on their children and family functioning.

Military OneSource

I am now pleased to comment on the continued success of Military OneSource, another powerful resource for our marines and their families. The Marine Corps began OneSource as MCCS OneSource, now expanded to all the Services. Everyday, we find ways to use this service, which provides round-the-clock information and referral assistance service and is available via toll-free telephone and Internet access. As recently added support, separating servicemembers and their family members are eligible for 180 days and our seriously injured and the survivors of those who have died while on Active-Duty are eligible indefinitely. Where necessary, referrals for face-to-face counseling sessions are available to help marines or their families cope with deployments. This program is especially important for our Reserve marine families not located near military installations.

Suicide Prevention

For all our efforts to take care of marines and their families, we are not immune to societal risk factors, such as suicide, domestic violence, and drug and alcohol abuse. The Marine Corps is a youthful and vigorous force. Our expeditionary nature and current operational tempo brings stress, and for some, heightened anxiety. The mission is intense. Knowing that negative behaviors may exist or manifest to uncontrolled levels is of utmost concern to us. As such, we aggressively work to prevent these behaviors or if necessary intervene. As I'm sure this committee would agree, one suicide is too many. While our suicide rates for 2004 were up compared with previous years, the total remains below the national average for the demographic group. Moreover, there are no clear trends among any specific groups. Interestingly, the rate is higher among those who have not deployed. Though the suicide rate remains within normal limits, we continue to closely monitor this issue and have taken preemptive preventative actions. Last December, the commandant provided guidance to commanders on watch signs for stress that could escalate to self-harm. Additionally, in the near future, we will issue "A Leader's Guide for Managing Marines in Distress." We have also taken steps to ensure that the command climate is conducive to seeking help.

Domestic Violence

With regard to domestic violence, I am proud to report that our prevention and intervention measures continue to be successful. Domestic violence in the Marine Corps has been steadily declining since fiscal year 2001. Over the past year, both child and spouse abuse have declined 27 percent and 18 percent, respectively.

Substance Abuse

Drug and alcohol abuse remains a negative throughout society and we at the Marine Corps know that we must be mindful of such influences on our young population who continue to endure the challenges associated with our current deployment climate. Our leadership monitors risk areas and works to prevent substance abuse incidents, thereby decreasing the need for intervention. Our aggressive testing, commander's commitment against drug use, and targeted education allows us to sustain a low drug positive rate. I am pleased to report that the positive drug-testing rate for the Marine Corps is less than 1 percent.

Sexual Assault

It is the Marine Corps' unequivocal position that sexual assaults are a criminal act and will not be tolerated in any capacity. We, along with DOD and our sister Services, continue to be proactively engaged in this matter, issuing new policy and guidance, focusing and coordinating procedures to address alleged offenders and the specific needs of sexual assault victims. We formally established the Sexual Assault Prevention and Response Office to serve as the integrating entity (i.e. health services, legal, law enforcement, training and education, etc.) for all sexual assault efforts. This cross-discipline effort allows us to fully address the issues relating to the victim, alleged offender, prevention and response. As for caring for victims, the Marine Corps currently has 31 federally employed or contracted victim advocates and 125 highly trained volunteers at 17 installations. These advocates provide information, guidance, and support to victims of domestic violence and sexual assault. With regard to deployed marines, a Uniformed Victim Advocate (UVA) program has been established to assist deployed unit commanders in supporting victims of sexual assault in the theater of operations. To date, 172 commander-appointed UVAs have been trained. Some of these UVAs have deployed to Iraq and some will remain to perform training for other UVAs at home station. It is our intent to have a minimum of two UVAs each per squadron and battalion throughout the Marine Corps. Also, on this important topic, I am pleased to report that the Marine Corps began developing and improving sexual assault policies prior to the requirements of the National Defense Authorization Act for Fiscal Year 2005. Of course, we will continue to adjust policies, where and if necessary, to meet the standards set forth by Congress and the DOD.

Casualty Assistance

As this testimony reflects, we do our very best to support marines and their families. As of February 22, 2005, there have been 467 (365 hostile and 102 non-hostile) marines killed in Operations Enduring Freedom (OEF) and Iraqi Freedom (OIF). There have been 4,010 very serious and serious injuries or illnesses (3,711 hostile and 299 non-hostile). Of these casualties, 48 of those killed, and 350 of those wounded, were from the Reserve component. Support in the wake of a casualty must be beyond reproach, and the Marine Corps relies upon our expansive network of approximately 5,000 trained Casualty Assistance Calls Officers (CACOs) who offer support to Marine families when they need it most. CACOs are the prime point of contact for surviving families and we see to it that their training matches the sensitivity of their mission. The training provided by the Casualty Section at Headquarters Marine Corps is a highly detailed "train the trainer" program. The actual training of CACOs is a command responsibility but Casualty Section representatives conduct training on a regular basis at all the bases and stations. Additionally, the Marine Corps CACO Training Information Brief and CACO Guide to Benefits and Entitlements are available on the web to all assigned CACOs and provide expansive information on the duties of the CACO. We immediately update our training documents as information changes to continue effective support for assigned CACOs. We also continuously review our CACO program for potential improvements. Most recently, we incorporated into the CACO Guide a list of reputable benevolent and philanthropic agencies to help our survivors in alleviating financial burdens and support gaps associated with existing benefits and entitlements. In the event a Marine is assigned to perform CACO duties and has not had the opportunity to attend a training session, he or she is walked through every phase of the process by our Casualty Section utilizing the CACO Training Guide. Furthermore, our Casualty Section personnel are available around-the-clock to ensure the CACO receives the necessary assistance to provide the right support to our surviving family members.

We diligently work to stay in touch with our Marine families after the death of their loved one. Our Casualty Section engages next of kin, via casualty assistance correspondence, on several occasions following the death of a marine. General information on the circumstances of the casualty, survivors guides, veterans benefits information, and information regarding benevolent and philanthropic agencies are provided immediately to assist Marine families as they make the difficult transition to life without their marine. Follow-up reports on the circumstances of the casualty are mailed when casualty information changes. A 60-day follow-up letter to the next of kin is also sent to survivors. All of this correspondence includes a reminder to notify the Casualty Section if there are any questions or concerns related to the marine's death or the assistance they are receiving.

We understand that life for Marine families following the death of their marine can be tumultuous. Even the simplest tasks can become arduous and confusing. To ease this confusion and help surviving families take care of themselves and their affairs, our Personal and Family Readiness Division at Heaquarters Marine Corps

stands ready to help navigate various benefits and programs, such as the TRICARE system. An additional resource is Military OneSource, which I previously mentioned. This service provides a wealth of helpful information and referrals on many subjects, including parenting, education, finances, legal issues, elder care, health and wellness, deployment, combat stress, crisis support, and relocation. As I stated, survivors are eligible for Military OneSource indefinitely; and we believe it will continue to provide help and some measure of comfort to our families.

We are very appreciative of the many benevolent organizations that support our marines. Such organizations include: the Navy/Marine Corps Relief Society, the Marine Corps Law Enforcement Foundation, the Marine Corps Scholarship Foundation, the Fisher Foundation, the Injured Marine Semper Fi Fund, and the Intrepid Foundation. We look forward to productive and lasting coordination with the various groups who do so much for our brave troops and their families.

As for our marines who sustain injuries in combat, we have a new web-based Injured/Ill Patient Tracking system. The system is linked to the Corps' casualty databases and contains information on all injured/ill reported via a casualty report. The system allows Patient Administration Teams (PAT) to enter the most up-to-date general treatment information and travel plans and now commanders at all levels have visibility of their marines during all stages in the medical pipeline. The Marine Corps uses PATs throughout the entire medical pipeline, from Iraq through Bethesda and points beyond. Our PATs provide tremendous support to the families of our marines brought to the beside of an injured marine by the Marine Corps on invitational travel orders. For example, they meet arriving families at the airports, arrange hotels, provide transportation to and from the hospital on a daily basis, and provide any other assistance the family may need. PATs also coordinate the "warm handoff" to other hospitals that will provide additional care and support to our marines.

MARINE FOR LIFE—INJURED SUPPORT

Building on and leveraging the organizational network and strengths of our previously established Marine for Life Program, we are currently implementing an Injured Support Program to assist the disabled after they are discharged. The goal is to ensure that these marines know that the Corps will always be there for them, and to bridge the often difficult and lengthy gap between the care we in the Marine Corps and Navy provide, and that which the Department of Veterans Affairs (VA) assumes. The key is to ensure continuity of support through transition and assistance for however long it might take, to include providing assistance during the gap in entitlements. Planned features of the program include advocacy within the Marine Corps and the Department of the Navy for the disabled and their families, and helping them in dealing with external agencies from which they may receive support. An extremely important part of this will be both pre and post service separation case management, assistance in working with physical evaluation boards, creation of an interactive web site for disability/benefit information, assistance with Federal hiring preferences and law, and improved VA handling of marine cases. The latter is being effected by the attachment of a liaison officer embedded within the VA headquarters. The Marine for Life Injured Support Program began operations in early January, and it will continually evolve and improve its services. If there is any area that needs continued effort and interest, it is in the long-term help and assistance for our disabled personnel and their families.

The Marine Corps looks forward to our continued partnership with Congress to enhance support services for marines and Marine families when they are dealing with the injury or loss of a loved one. In this regard, I thank you for the new authorities provided in the National Defense Authorization Act for Fiscal Year 2005 to include the parents of deceased servicemembers for burial travel and up to three family members to travel to the bedside of an injured servicemember. These new authorities go a long way toward helping our Marine families through difficult times.

We appreciate the heightened congressional interest in caring for our war casualties and their families. There are no words, deeds or compensatory measures that can take the place of our fallen marines. That said, we must do our very best to support those families who are forced to live without their loved one. We must take every feasible step to make the survivors of our fallen heroes whole monetarily, so that they are not unduly burdened with financial worry. Such support includes appropriate death gratuities, life insurance, ending unfair pension offsets, and ensuring that dependents are cared for with regard to healthcare and education. There are various legislative remedies currently under discussion. However, we should

make certain that the final remedy treats all servicemembers equitably. We simply cannot distinguish between types of service to this great Nation.

CONCLUSION

Through the remainder of fiscal year 2005, and into fiscal year 2006, our Nation will remain challenged on many fronts as we prosecute the global war on terrorism. Services will be required to meet commitments, both at home and abroad. Marines, sailors, airmen, and soldiers are the heart of our Services—they are our most precious assets—and we must continue to attract and retain the best and brightest into our ranks. Transformation will require that we blend together the "right" people and the "right" equipment as we design our "ideal" force. Personnel costs are a major portion of the Department of Defense and Service budgets, and our challenge is to effectively and properly balance personnel, readiness, and modernization costs to provide mission capable forces. We are involved in numerous studies regarding human resources strategy to support our military, which requires we must balance the uniqueness of the individual Services. In some cases a one-size fits all approach may be best, in others flexibility to support service unique requirements may be paramount. Regardless, we look forward to working with Congress to maintain readiness and take care of your marines.

The Marine Corps continues to be a significant force provider and major participant in joint operations. Our successes have been achieved by following the same core values today that gave us victory on yesterday's battlefields. Our Active, Reserve, and civilian marines remain our most important assets and, with your support, we can continue to achieve our goals and provide what is required to accomplish the requirements of the Nation. Marines are proud of what they do! They are proud of the "Eagle, Globe, and Anchor" and what it represents to our country. It is our job to provide for them the leadership, resources, quality-of-life, and moral guidance to carry our proud Corps forward. With your support, a vibrant Marine Corps will continue to meet our Nation's call as we have for the past 230 years! Thank you for the opportunity to present this testimony.

Senator GRAHAM. Thank you, General.

General Brady.

STATEMENT OF LT. GEN. ROGER A. BRADY, USAF, DEPUTY CHIEF OF STAFF, PERSONNEL, UNITED STATES AIR FORCE

General BRADY. Mr. Chairman and Senator Nelson, thank you for the opportunity to be with you here today.

In the years since the fall of the Soviet Union, America's airmen have responded to dramatic changes in our force structure and the world security environment. We continue to streamline our Active-Duty Force while, remaining engaged around the world at levels higher than at any time during the Cold War.

As we work toward the future, we must determine our personnel needs, shape the force to meet those needs, provide relief for our most heavily stressed career fields, and develop the leaders who will take the reins deep into the 21st century. These are complex and interrelated issues, challenging how we manage the Total Force.

We are on target to meet end strength by the end of fiscal year 2005. We will continue to bring balance to the force by right-sizing and right-shaping specific career specialties and overall officer/enlisted skill sets. We remain postured to use various programs already in place such as Career Job Reservation, noncommissioned officer (NCO) retraining, Palace Chase, and Blue to Green initiatives. Due to the success of our programs thus far, you can expect to see continuing adjustments to our current force-shaping criteria that will ensure we right-size and right-shape our force.

As we return to our authorized end strength, relief is flowing to over-stressed career fields. This is a multi-step process, but our

guiding principle is simple: we must have the right people with the right skills in the right place to meet the needs of our Air Expeditionary Force (AEF). We are doing this prudently, identifying specialties and specific year groups within those specialties where we have more people than we need. At the same time, we are correcting our skill imbalances by realigning manpower and expanding training pipelines.

We are also taking a hard look at where our people serve. We have airmen serving outside the Air Force who do not deploy as part of an AEF. They serve in joint and defense agency positions. While some of these positions require uniformed people, others do not. Through military-to-civilian conversions and competitive sourcing initiatives, in consultation with other agencies, we are returning some of these airmen to Air Force positions.

The Guard and Reserve obviously play a critical role in the Total Force. Today 25 percent of the air expeditionary packages are composed of National Guard and Air Force Reserve volunteers. As we take steps to ensure the long-term health of our Active-Duty Forces, we must do the same for our citizen airmen, and bolstering the ranks of the Air Reserve component is a critical part of our force shaping.

While reducing Active-Duty accessions is one tool currently being used to bring the force down to authorized levels, it is imperative that we continue to renew and replenish the ranks with targeted recruiting. For fiscal year 2005, we plan to access 19,000 enlisted members, and just over 5,000 officers.

This 1-year reduction in our recruiting goal is part of a deliberate effort to reduce force size without jeopardizing long-term health. A 1-year reduction will create a temporary decrease, offset by the number of people accessed, in preceding and subsequent years. Continued congressional support of our recruiting and marketing programs is critical to maintain the Air Force's competitiveness in a dynamic job market. We must all remember that ours is a recruited force, which means we must be competitive in the national personnel marketplace to both recruit and retain our people.

A vital element for success is the ability to offer bonuses and incentives where we have traditionally experienced shortfalls, and we need the continuing authority to use incentive tools flexibly in a dynamic personnel market. Congressional support for these programs, along with increases in pay and benefits and quality-of-life initiatives, have been critical to our success in recruiting and retaining airmen and their families, and we are most appreciative of that.

To achieve the Secretary of Defense's objective of shifting resources "from bureaucracy to battlefield," we are overhauling our personnel services—our Personnel Services Delivery Transformation dramatically modernizes the processes, organizations, and technology by which we support airmen and their commanders. Routine personnel transactions, for instance, may now be done "online." As a result, we deliver higher quality personnel services with greater access, speed, accuracy, reliability, and efficiency.

Our civilian work force will go through a significant transformation as well with implementation of the DOD National Security Personnel System (NSPS), a more flexible civilian personnel

system that will improve the way we hire, assign, compensate, and reward our valuable civilian employees. This is the most comprehensive change to the Federal personnel system in more than 30 years and a key enabler in the Department's achievement of Total Force management.

While we continue to size and shape the force to meet our evolving mission, we must remain attentive to the quality of service for our members. In this regard, we completed an Air Force-wide assessment of our sexual assault prevention and response capabilities. A campaign plan was approved, and we are implementing specific initiatives to better understand the problem of sexual assault, to do everything within our ability to prevent it, and prepare ourselves to provide consistent and continuing care for victims when it occurs.

We re-emphasized and continue to stress the need for airmen to look after one another. We are weaving this mindset into the very fabric of our culture. Our airmen have a responsibility to a part of the well-being of their wingmen—their fellow airmen. This is not a program, it is a mind set, a reaffirmation of our culture to take better care of our most valuable resource—our people.

As we continue to develop and shape the force to meet the demands of the AEF, we will seek more efficient and effective service delivery methods. We will leverage opportunities to educate future leaders and make the extra efforts required to recruit and retain the incredible men and women who will take on the challenge of defending our Nation well into the 21st century. Undergirding this effort will be an aggressive commitment to nurture and sustain our core values of Service, Integrity, and Excellence, which makes ours the most respected Air and Space Force in the world.

Mr. Chairman and members of the subcommittee, thank you for calling this hearing and for your continued support for the men and women of your Air Force.

[The prepared statement of General Brady follows:]

PREPARED STATEMENT BY LT. GEN. ROGER A. BRADY, USAF

INTRODUCTION

In the nearly 15 years since the fall of the Soviet Union, America's airmen have responded to dramatic changes in our force structure and the world security environment. We continue to streamline our Active-Duty Force, all the while remaining engaged around the world at levels higher than at any time during the Cold War. To prevail in a dangerous and ever-changing world, we transformed ourselves from a heavy, forward-based presence designed to contain communism into an agile, expeditionary force, capable of rapidly responding on a global scale, with tailored forces ready to deal with any contingency. Since the attacks of September 11, 2001, our transformation took on an even more urgent and accelerated pace. With safety at home directly challenged, domestic security rose to the forefront and we went on the offensive to attack terrorism on a global scale. While we've enjoyed great success, this transformation is in its infancy and there is still much to do.

The first step in our transformation was to establish a set of strategic goals to focus our personnel mission, and shed light on the specific capabilities our system offers to our airmen and their leaders. We set out to define the force, implementing a capabilities-based requirements system that meets surge requirements and optimizes force mix (Active-Duty, Air Reserve component, civilian, and contractors) in order to produce a flexible and responsive force. Additionally, we continually seek out ways to renew the force, maintaining a diverse, agile workforce that leverages synergy between Active-Duty, Air Reserve, and civilian components, and private industry to meet requirements and sustain capabilities. Throughout the process, we committed ourselves to develop future leaders by synchronizing training, education,

and experience to continuously create innovative, flexible, and capable airmen to successfully employ air and space power. Key to our success, we identified the need to continually sustain the force through focused investment in airmen and their families. We will also synchronize our efforts to implement a robust strategic planning framework, understand the Air Force human resource investment, and link programming and legislative development to the plan. Finally, we will transform how we deliver customer service, creating a leaner, more cost-effective, customer-focused Human Resource Service to support the Air Expeditionary Force.

At the heart of our efforts was the creation of an environment, and the associated tools necessary, to more deliberately develop airmen to be the leaders at all levels in the years to come. Our force development efforts extend across the Total Force, encompassing officers, enlisted, civilian employees, and Air National Guard and Air Reserve members.

As we work towards the future, we must determine our end strength needs, shape the force to meet those needs, provide relief for our most heavily stressed career fields, and develop the leaders who will take the reins deep into the 21st century. These are complex and inter-related issues, challenging how we manage the Total Force.

The success of our efforts is no small measure due to the outstanding support we've received from Congress. You've approved significant advances in pay, benefits, and retention incentives for the men and women who serve in all of the military services. These initiatives made a significant difference in Air Force readiness and in quality of life for our members and their families. In the coming years we look forward to your continued support in helping us develop a force the American people will continue to be proud of; a highly skilled, professional force dedicated to the defense of our great Nation.

Our work in shaping the force is key to honing our combat capability. The core of this capability is the professional airman who voluntarily serves each and every day. Airmen create air and space power, turning ideas, tools, tactics, techniques, and procedures into power projection, global mobility, and battle space effects. With this understanding, the Air Force embraced a personnel vision and strategic planning model to transform airmen management across the Total Force (Active-Duty, Air National Guard and Reserve; officer, enlisted, and civilian). Additionally, we refocused our personnel processes and delivery systems on achieving capabilities and creating effects to develop the right people, with the skills, knowledge, and experience necessary to perform their missions in the right place at the right time.

This vision succinctly defines the role of our manpower, personnel, and training professionals: detailing mission requirements; continually refreshing the pool to maintain an effective balance of youth and vigor, age and experience; deliberately developing the skills, knowledge, and experience required by our combatant and support missions; sustaining the force by meeting the needs of our airmen and their families; and providing integrated program management and service delivery systems.

Important to note, our transformation doesn't end with military members. With the increasing threat of an enemy untethered to national borders with the flexibility and speed to attack without warning, it became obvious to all, that the institutionalized bureaucracy, which served us well throughout the Cold War had to transform as well. The National Security Personnel System (NSPS) enables our civilian force development initiatives in putting the right person in the right job at the right time. It provides the flexibility to address emerging threats quickly by freeing up essential military resources and allows for increased integration of military and civilian roles, ultimately translating into a more versatile, more responsive ability to provide national defense.

All of these initiatives are designed to do one thing—take care of people. Our force thrives due to the expertise and professionalism of its airmen. Unfortunately, recent events revealed a longstanding societal problem that threatens everything we hold dear. To address this issue, as well as others such as suicide and accident prevention, we are embracing a cultural shift to better take care of each other personally and professionally. Our commanders have increased the emphasis on the manner in which professional airmen relate to each other, including a zero tolerance acceptance level for inappropriate behavior of all kinds, and a focused effort to take better care of each other.

This statement represents our vision of the way ahead for Air Force people. To place these issues in context, we will begin by discussing the Air Force core competency directly affecting every Air Force member: Developing airmen. This core competency is at the heart of our strategic vision for Air Force personnel.

DEVELOPING AIRMEN

To adapt to dramatic changes in force structure and the security environment, we established a set of strategic goals to focus our personnel mission.

Force Development: Right People, Right Place, Right Time

Over the past 18 months, the Air Force implemented a new Force development structure to get the right people in the right job at the right time with the right skills, knowledge, and experience. Force development combines focused assignments and education and training opportunities to prepare our people to meet the mission needs of our Air Force. Rather than allowing chance or ad hoc decisions to guide an airman's experience, we will take a deliberate approach to develop officers, enlisted, and civilian employees throughout our Total Force. Through targeted education, training, and mission-related experience, we will develop professional airmen into joint force warriors with the skills needed across the tactical, operational, and strategic levels of conflict. Their mission will be to accomplish the joint mission, motivate teams, mentor subordinates, and train their successors.

One of the first steps in implementing our development efforts was the creation of individualized development plans. These plans are a critical communication tool capturing the member's "career" development ideas, including desired career path choices, assignment, and developmental education preferences. These plans flow through the chain of command, to include their most senior commanders, for endorsement. The newly created Development Team (DT), comprised of senior leaders from the functional community, carefully reviews each individualized career plan, along with commander's comments, and Senior Rater input. Targeting Air Force requirements, the teams place a developmental "vector" into the plan as input for our assignment teams, and immediate feedback to the member and commander regarding their expressed development plans. Assignment teams match members to assignments using Developmental Team vectors; thus, "developing" our people to meet Air Force requirements.

This year also saw a continued focus on developmental education with continued expansion to include not only traditional Professional Military Education (PME), but also efforts to reduce resident PME time through Automated Distance Learning (ADL) as well as advanced academic degree programs, specialty schools, fellowships, education with industry, and internships. Our development teams are using the individualized development plans, along with the member's record and Air Force requirements, to make educational recommendations to the Developmental Education Designation Board. This board designates the right school for the right member at the right time. Intermediate Developmental Education and Senior Developmental Education prepare members for a developmental assignment following the respective schools. This two-dimensional process facilitates the transition from one level of responsibility to the next. All developmental education assignments are made with the emphasis on the best utilization of the member's background, functional skills, and valuable time, to meet Air Force requirements.

One of our most recent development efforts has been broadening the focus to include our enlisted corps. Beginning with the next promotion cycle, we will stand up a new top-level course of enlisted PME designed specifically for those selected to serve as Chief Master Sergeants. The course will focus on leadership in the operational and strategic environments, and will constitute a substantial leap forward in the development of our Chiefs. Another segment of warriors requiring special attention is our cadre of space professionals—those that design, build, and operate our space systems. As military dependence on space grows, the Air Force continues to develop this cadre to meet our Nation's needs. Our Space Professional Strategy is the roadmap for developing that cadre. Air Force space professionals will develop more in-depth expertise in operational and technical space specialties through tailored assignments, education, and training. This roadmap will result in a team of scientists, engineers, program managers, and operators skilled and knowledgeable in developing, acquiring, applying, sustaining, and integrating space capabilities.

The bottom line of our Force development efforts is to provide an effects and competency-based development process by connecting the depth of expertise in the individual's primary career field (Air Force Specialty Code) with the necessary education, training, and experiences to produce more capable and diversified leaders.

Every aspect of the Total Force development environment is designed to develop professional airmen who instinctively leverage their respective strengths as a team. The success of this effort depends on continued cultivation and institutional understanding of and interest in Force development, promoting an understanding of the competency requirements of leaders, and funding for the associated development initiatives.

Force Shaping

We are on track to bring Active-Duty end strength to the congressionally authorized level of 359,700 by the end of fiscal year 2005. This planned reduction shapes the future force without jeopardizing career field health. The force shaping plan has two phases: 1) increase voluntary separations and retirements, and 2) further increase voluntary separations while simultaneously reducing programmed accessions. Phase 1, implemented in February 2004, was used to judge retention behavior and ensure a measured approach to reducing end strength. Phase 2, begun in May 2004, opened the aperture to allow more servicemembers an opportunity to leave Active Duty. Additionally, we significantly reduced the Selective Reenlistment Bonus (SRB) program from 146 to 62 enlisted skills, resulting in a significant decrease in first term reenlistment rates; and we continue to review further reduction of SRB skills.

Specific force shaping initiatives include the Palace Chase program—early separation from Active-Duty to serve with the Air National Guard or Air Force Reserve—waiving of Active-Duty service commitments, and resurrection of the Career Job Reservation Program to correct skill imbalances and re-train first-term airmen into needed skills. Additionally, we took advantage of the statutory authority that allows 2 percent of colonels and lieutenant colonels with 2 years time-in-grade to retire in grade instead of waiting the normal 3 years; and some Air Force Reserve Officer Training Corps (ROTC) graduates may now go directly into the Air National Guard or Air Force Reserve.

In fiscal year 2004, we lowered accession goals by approximately 3,000. In fiscal year 2005, we continued to lower our accession goals, and have temporarily limited enlisted accessions to only the 58 most critical combat and combat support skills. We plan to open enlisted accessions for the remaining skills in late spring 2005, if we are at our authorized strength.

The results of our force shaping efforts are positive, facilitating the migration of personnel into critical shortage specialties while reducing manpower to ensure we meet authorized end strength requirements by the end of fiscal year 2005.

Rebalancing the Force

As we return to our authorized end strength, relief is flowing to "over stressed" career fields. This is a multi-step process, but our guiding principle is simple—we will properly size and shape the force to meet the needs of the Air Expeditionary Force. We are doing this prudently, identifying specialties and specific year groups within those specialties where we have more people than we need. At the same time, we are correcting our skill imbalances by realigning manpower and expanding training pipelines.

We are also taking a hard look at where our people serve. We have airmen serving outside the Air Force who don't deploy as part of an Air Expeditionary Force. They serve in joint and defense agency positions, some of which require uniformed people; however, others do not. Through military-to-civilian conversions and competitive sourcing initiatives, we are returning these airmen "to the fold."

The Guard and Reserve play a critical role in this endeavor. Today, 25 percent of the air expeditionary packages are composed of Air National Guard and Air Force Reserve volunteers. As we take steps to ensure the long-term health of our Active-Duty Forces, we must do the same for our citizen airmen.

Recruiting/Retention

While reducing accessions is a tool currently being used to bring the force down to authorized levels, it is imperative that we continue to renew and replenish the ranks with targeted recruiting. For fiscal year 2005, we plan to access nearly 19,000 enlisted members and just over 5,000 officers—a 44-percent reduction from normal enlisted recruiting levels and a slightly lower level of officers compared to fiscal year 2004.

As outlined under force shaping, a significant 1-year reduction in our recruiting goal is part of a deliberate effort to reduce force size without jeopardizing long-term health. A 1-year reduction will create a temporary decrease offset by the number of personnel accessed in preceding and subsequent years. We are committed to returning to normal recruiting targets as quickly as possible. Continued congressional support of our recruiting and marketing programs is critical to maintain the Air Force's competitiveness in a dynamic job market.

A vital element for success is the ability to offer bonuses and incentives where we have traditionally experienced shortfalls. To protect this valuable resource we ensure active senior leadership management, including semi-annual reviews of which career specialties, and which year groups within those specialties, are eligible for bonuses. Congressional support for these programs, along with increases in pay

and benefits and quality of life initiatives, have greatly helped us retain airmen and their families.

Personnel Service Delivery Transformation

To achieve the Secretary of Defense's objective of shifting resources "from bureaucracy to battlefield," personnel services are being overhauled. Our personnel service delivery transformation dramatically modernizes the processes, organizations, and technology by which we support airmen and their commanders. Routine personnel transactions, for instance, may now be done "on-line."

As a result, we deliver higher-quality personnel services with greater access, speed, accuracy, reliability, and efficiency. We programmed the resulting manpower savings to other compelling Air Force needs over the next 6 years. This initiative enhances our ability to acquire, train, educate, and deliver airmen with the needed skills, knowledge, and experience to accomplish Air Force missions.

National Security Personnel System

Our civilian workforce will go through a significant transformation as well with implementation of the Department of Defense (DOD) NSPS. NSPS is a simplified and more flexible civilian personnel system that will improve the way we hire, assign, compensate, and reward our valuable civilian employees. This modern, agile human resource system will be responsive to the national security environment, while preserving employee protections and benefits, as well as the core values of the civil service. Implementation will begin as early as July 2005.

NSPS design and development has been a broad-based, participative process including employees, supervisors and managers, unions, employee advocacy groups, and various public interest groups. Employees slated for conversion to the new system will be included in groupings called Spirals. Spiral One will include approximately 85,400 General Schedule and Acquisition Demonstration Project, U.S.-based Air Force civilian employees and will be rolled out in three phases over an 18-month period. The labor relations provisions of NSPS will be implemented across the Department this summer as well. NSPS is the most comprehensive new Federal personnel system in more than 50 years and a key component in the Department's achievement of a total force structure.

Culture of Airmen

We completed an Air Force-wide assessment of our sexual assault prevention and response capabilities, knowing we were not where we needed to be in addressing this societal problem that has serious readiness implications. A campaign plan was approved, and we are implementing specific initiatives to better understand the problem of sexual assault, do everything within our ability to prevent it, and prepare ourselves to provide consistent and continuing care for victims when it occurs.

In response to an increased suicide rate among airmen, we re-emphasized, and continue to stress, the need for airmen to look after one another. Commanders and co-workers are rethinking the way airmen interact with one another, calling attention to behavioral indicators and risk factors associated with suicide. Safety and risk management are also being emphasized to reduce the number of accident-related fatalities. We are weaving this mindset into the very fabric of our culture.

All airmen have a responsibility to get involved, pay attention and ensure the health and well being of their wingman. It's not a program, it's a mindset; a cultural shift designed to take better care of our most valuable resource—our people.

CONCLUSION

As we continue to develop and shape the force to meet the demands of the Air Expeditionary Force, we continue to seek more efficient service delivery methods, opportunities to educate our future leaders, and make the extra efforts required to recruit and retain the incredible men and women who will take on the challenge of defending our Nation well into the 21st century. While doing so, we will remain vigilant in our adherence to our core values of Service, Integrity, and Excellence which make ours the greatest Air and Space Force in the world.

Senator GRAHAM. Thank you all. That was well done. I appreciate it.

I will start off, and we will just have a discussion among ourselves. I am going to throw out a couple of concepts. We have very talented staff that can take all of your requests and sanitize them. We will meet as many of them as we can, but in our short time

together, I would like to try to talk about some big themes from a business point of view, for lack of a better word.

One big theme focuses on the difference between retaining and recruiting that seems to be obvious. Is this an acute problem or a chronic problem, Dr. Chu?

Dr. CHU. I think this is a problem of the moment brought about by a confluence of factors. Yes, sir, it is different, and you have noticed that in the testimony that I and my colleagues offered. We are doing quite well, Active and Reserve, on retention. We are having our challenges in some areas of recruiting. Some of it is the larger circumstance of our economy. That is something to which our recruiting picture responds.

But there is another factor, and this is something on which we would value your assistance and your colleagues' assistance over time. That is the reluctance, which has been there for some time, of older adults to commend a young person when he or she selects a military option, whether that is a tour of service or a career. We have seen this increasingly as an issue over the last year or so.

Marine recruiters were among the first to bring it to my attention. When you are 17, the parents must sign saying it is okay to enlist. Marine recruiters reported about 6–9 months ago that we are starting to see more resistance to that signature. I think the Army is seeing a similar trend in its recruiting efforts.

We think a period of military service enhances everyone in terms of life's values, in terms of what you can contribute as a citizen over time, whether you serve for a few years or for 20 or 30 years' time. We think it would be very helpful if more adults would make that point to young Americans.

What the recruiters tell us is that their toughest sell is not necessarily the 19- or 20- or 21-year-old. My colleagues ought to speak to this. It is selling the parents or the school counselor or the coach that this is a good idea, and your reinforcement of the value of military service would be a great help to the Department.

Senator GRAHAM. Any comments?

General HAGENBECK. Sir, I would reinforce what Dr. Chu just said. Active-Duty retention is 102 percent for this year. That tells us that once they join our team, they and their families are very satisfied with their well-being and exactly what their missions are which we asked them to do. They are staying on at a higher rate than we have ever asked them to stay on before. Our retention goals for this year for the Active are just over 64,000 and we are on a glide path to meet or exceed that, and the Reserve and Guard are just behind that at 97 percent right now.

I concur with regard to the recruiting issues. Our surveys tell us exactly what Dr. Chu has stated. I make it a point to go out to recruiting stations, and I have been to several, to include your part of the South. We are tending to get the same number of youngsters approaching us—who we call contacts—to consider joining the Army. However, we are getting that influencer perspective which is telling them in some areas, let us wait a few months and see how this business in Iraq sorts itself out. So we are spending a lot more time with parents, teachers, and coaches than we have in the past. It is a large challenge, but we are confident we can get what we need.

Senator GRAHAM. All right. Let us project forward. I am not asking you to be accurate to a person, but generally speaking, 2 years from now, will we have 100,000 troops in Iraq? More or less?

Dr. CHU. That is well outside my area of responsibility in the Department, sir, and I think it is really outside anyone's ability to predict.

I do think in this global war on terrorism, we need to be prepared as a military to respond to the country's needs wherever they may arise, and that will require of our people, Active and Reserve, periods of overseas service. Whether it will continue at the current pace and with the current risks in the present locations, I do not think that is knowable at this juncture, but we must be prepared.

Senator GRAHAM. Right.

Dr. CHU. My colleagues and I have worked across the Department, Active and Reserve Forces, to create a sustainable deployment posture where we can sustain a large number of soldiers, sailors, airmen, and marines forward deployed. It does mean we need to give them rest. The Actives deserve their time at home. The Reserve deserve their time off. But predicting the exact number I think is beyond what we can do.

Senator GRAHAM. Would anyone else like to chime in there?

General OSMAN. Sir, I would add that young men and women join the Marine Corps because they want to deploy. That is the reason you are a marine. It is to, if need be, go in harm's way. It is interesting. As you watch, particularly our reservists that are called to Active-Duty, when we mobilize them, we have been essentially deploying about 67 percent of those marines that are mobilized. If you go poll them, the reservists that are really gaining the greatest satisfaction are those that are deployed. We watch that in the reenlistment statistics. So it really does show that marines join to deploy.

I would add that even though we may be having some challenges in recruiting, the numbers, the fact of the matter is our quality of recruiting is very high. We are running about 98 percent high school graduates, over 70 percent the upper mental groups. We really are getting the young marines that we are going to need for the future. As we look to the future, I think we are getting a quality individual who understands what they are asking for and are willing to serve. With those challenges that we face in the future, I am very optimistic.

Admiral HOEWING. Sir, we are blessed in the Navy right now to be doing very well in the recruiting environment. Also our quality is higher than we have ever seen. The high school graduates, the percent with college education or some college education, performance on the ASAB test, across all ethnic backgrounds, is very strong.

We are solid green in fiscal year 2005 with a couple exceptions. We are falling behind a little bit on medical officers, and we are behind in Reserve recruiting. We think we understand the reason why. One of the reasons is we primarily in the past recruited Active-Duty sailors in the Reserve that leave the Service. With our reenlistment rates as high as they are right now, the actual numbers that are leaving the Service is down. So we have to renew our energies in recruiting these sailors that leave Active-Duty, and we

have engaged in a non-prior service recruiting campaign for our Reserve Forces not to just bring anybody in, but to bring the types of folks in that can be molded to the specific types of skills we need in order to fight the global war on terrorism.

Reenlistment rates continue to be high. We are very proud of that, and we thank this subcommittee very much for your support in being able to help us in those areas.

Senator GRAHAM. I will tell you what I will do. I will let Senator Nelson speak. I have several more questions, but I do not want to hold you too long. Now would be a good time for Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman. Once again, I want to thank the witnesses.

For my first question, I would like to discuss an issue of importance to military families, which is consistent with what was just said, recruiting individuals but retaining families. As we grow more concerned about retaining our people, I think it is important to consider ideas that will make the Services even more family friendly. The military is already doing a lot of these things and doing them very well, but there is one that I would like to point out.

Each of the Services at the present time is doing a great job of providing maternity leave for our new mothers. General Brady, I understand that the Air Force allows 2 months from the time of birth to return to duty. General Hagenbeck, I understand the Army provides 6 weeks, and Admiral Hoewing, I understand the Navy provides 42 days. But all of this is in relationship to maternity leave as opposed to adoption. I understand you are all prepared for what I am going to say.

So I was surprised to learn that when a servicemember adopts a child, there is no official adoption leave policy. I think that is an oversight as opposed to a planned omission. The Department provides up to $2,000 per child and up to $5,000 per year to compensate for adoption-related expenses, but the current DOD policy does not provide servicemembers paid leave for the purpose of bonding with an adopted child.

Speaking as an adoptive parent myself, I can tell you that it is important to bond with your adopted child and do everything possible to make sure that they come into a happy home, just as in the case of maternity and a family.

Speaking as a member of the Armed Services Committee, I obviously want to do everything I can to make the military as family friendly as I can. I recently introduced S. 487 with Senators Smith, Landrieu, Jeffords, Johnson, and Coburn. This legislation will provide up to 21 days of paid leave to the primary caregiver immediately after placement of an adopted child in their home. It is tough enough to adopt a child in the military because of the cost and sometimes the reluctance of adoption agencies to begin the process, knowing a family could be deployed during that period of time. This legislation would remove at least one of those hurdles, and I hope that your services will provide support on this important legislation.

If you would like, I would ask that you might give me your thoughts on this proposal. We will start with Dr. Chu.

Dr. CHU. Senator, if I may. First let me emphasize we will certainly take a careful look at the legislation that you have cosponsored.

I should point out that the military is quite generous with leave already. People receive 30 days paid leave a year as a baseline. In fact, actually we have had, with the current pace of deployment, a bit of the opposite problem, people running up against leave "use or lose" limitations. So we will have to look at this. Is this an issue? Is there a need here? Is this the right way to satisfy the need? But my instinct is that we have a pretty good foundation that gives people a flexible stockpile of leave allowance that they can use in any way that they find most effective. In fact, most people do have some stockpiled leave. If an adoption bonding period is an issue, I would think they would have that leave available to take with our current allowance.

Senator BEN NELSON. Well, there is no question that the current situation will provide for that, but the current situation in the case of maternity provides for that plus. So it would seem to me that equity for the situations would require that at least the same leave be provided in the case of maternity or in the case of adoption, the difference being fairly obvious, but the similarities are quite clear as well. Bringing a new child into the home requires that attention, and if it requires special leave in the case of maternity, I do not see requiring the adoptive caregiver to use up personal leave for that purpose. I am not advocating taking away the maternity leave to level it out either. I think that that is the point that we are trying to make.

Dr. CHU. Well, we thank you for raising the issue.

Senator BEN NELSON. If the members of the Services would like to say anything about it, you certainly may, but if you would rather wait and respond to it later, that is okay as well.

General OSMAN. Sir, I would like to add one point too, because I think it is important.

Dr. Chu is correct. There is a good little bit of leave that is being accrued these days, but when you have an order, or an instruction, or a law that raises that as an issue, when the individual adopts a child, and there is something that says you are supposed to get 21 days, or whatever it might be, just the fact that there is a recognition that that leave should be taken, whether it is basket leave given to the individual or he uses his own earned leave, the fact of the matter is somebody has put a marker down that that is important. So I think it does send a signal.

We can take a look at the legislation you are proposing and see that it, in fact, meets the requirement of the Service as well as the individual.

Senator BEN NELSON. It does not require that they take all of it, take up to that, as I think you understand. Each situation is different, but it would authorize a maximum. Then, of course, if they felt they needed additional leave, they could go, as you say, to their surplus of leave and utilize that on top of the other leave that would be authorized.

General BRADY. Having adopted two children, I was wondering if I could get that retroactively. [Laughter.]

I would echo clearly it is something the Department needs to look at. I appreciate General Osman's comment too, that it is a recognition that, as you point out, they are very similar circumstances. In terms of care, they are identical.

Senator BEN NELSON. Absolutely.

General HAGENBECK. Sir, the Army supports it in principle.

Admiral HOEWING. I agree with Dr. Chu. We certainly want to support our families in every way we possibly can. Family friendly, retaining families, that is all key to what we are trying to accomplish. It is, however, a time of war. One of the advantages with the adoption process is that there is some alternative to choose the timing associated with it.

I would want to have an opportunity to pore through the language, and I just want to make sure that all of our folks out there have that same opportunity for those leave and liberty days in order to make their families all whole.

Senator BEN NELSON. Thank you. I think General Brady will tell you that there may be an option as to the time you start it, but there is not necessarily an option at the time they arrive. It may be different than maternity. It is not quite a storefront situation. That is one of the reasons that there is some concern about granting adoption in the case of military families because of mobility and uncertainty.

But in any event, I certainly hope that you will support it and look very carefully at it.

Thank you very much, Mr. Chairman.

Senator GRAHAM. One more round, if you do not mind. This will be the more challenging part here.

I think it would be fair to say that when you look at personnel retention and recruiting models, you look at the best case scenario and the worst case scenario. I do not know what is going to happen 2 years from now in Iraq either. I think that is a very fair answer to a very fair question.

But let us assume for a moment the worst. Let us assume that we have a large military footprint in Afghanistan, and Iraq, and God knows where else over the next couple years. Let us try to figure out how to answer the questions of those parents and influencers in a constructive way, and let us deal with the reality of the fact that this war has taken a toll on our recruiting process and, I think, will eventually take a toll on our retention process.

General Cody, the Vice Chief of Staff of the Army, said at a hearing in March, that what keeps him awake at night is what this All-Volunteer Force will look like in 2007.

Along those lines, General Hagenbeck, why did the Army go to 39 years, extended the age limit from which you can recruit Guard and reservists, and why did the Army waive the high school requirement to enter?

General HAGENBECK. Sir, with regard to the 39 years, that opens up a pool of about 22 million. As I am sure you know, it allows the Reserves and the Guard to recruit individuals that may have skills that younger members of our society might not have. We do not anticipate that we will get large numbers in that group, however, that gives them some flexibility to get some key skills that are scarce at this particular time.

Senator GRAHAM. What percentage of the Guard and Reserves called to Active-Duty are unable to go to the fight because of medical problems?

General HAGENBECK. Sir, I do not have that number right now, but I can get that to you.

Senator GRAHAM. Does anyone else know for their Service?

Dr. CHU. About 3 percent.

Senator GRAHAM. Fair enough.

What percentage of the Guard and Reserves of any of the Services do not have access to health care in the private sector?

Dr. CHU. It varies, sir. We have just completed a survey on that front. For the more senior, roughly E–5, E–6, 03 and above, typically 90 percent or better have private medical insurance. It is the younger people who do not. Part of that is voluntary, and that is consistent with experience in the civil sector in which young people, who often feel they are invulnerable and are subsidizing their elders in this regard, decline insurance. So it is not a big issue in our judgment.

Senator GRAHAM. Well, I just want to put everyone on notice that when it comes time to talk about retaining families and recruiting soldiers and keeping families, I think from my point of view—and I think Senator Nelson shares this view—we need to do more for the Guard and Reserve. We need to do more for employers.

You do not have to be a rocket scientist to figure out where this is leading. The reason you are having a problem recruiting is because people see this war as a dangerous event. The military is a dangerous endeavor, but it never really was understood to be as dangerous as it is until this war came along for millions of Americans. For those who stay in, thank God, because they are doing their country a great service.

General Brady, I have been to Iraq three times, and I have taken countless C–130 flights from Kuwait into Iraq and all over Afghanistan. I have flown only with one Active-Duty crew. Two years from now, if that remains the same, what effect will that have on the force?

General BRADY. That is a real challenge. As you are well aware, a large percentage of the C–130 fleet is in the Guard and Reserve. However, we have been able to mitigate that to a large extent by AEF rotation policies. That does not mean that we do not have Guard units and Active units that have been deployed a number of times. However, our basic rotation policy of 120 days for the AEF mitigates that to a certain degree. A considerable percentage of our people are able to do that on a volunteer basis as opposed to being mobilized.

I would not minimize the fact that that is a challenge, and we are continuing to look at it in the Air Force as to what the appropriate mix is for Guard and Reserve for C–130 forces, as well as for all of our forces.

Senator GRAHAM. General, when it comes to the Marine Corps, you have the greatest tradition of all Services I think in many ways of loyalty to the Corps. The fact that you experience any recruiting problems or any retention problems I think is something that we need to very much take seriously.

But money matters, and I have never heard a marine say that as directly as you did. I have never heard a marine come up and say if I had more money, it would help keep a marine. I think that is an honest answer, and I think you are going to get more money. You are going to get more flexibility.

But when we look to retaining young people and their making that first decision, would changing the thrift savings plan for lower enlisted grades, beefing that program up where they would get a matching component, help in retaining and recruiting?

General OSMAN. The thrift savings plan, I think, is a great tool. I will tell you that the young people who come in the Marine Corps are not drawn to the Marine Corps by that plan. They are drawn because of other intangibles, the opportunity to serve, the challenge, the deployment, as I mentioned before.

Once they come in the Marine Corps and we educate them about the goodness of the program, it is amazing how many will then come to it and use it. We would like to see more of them do it. Maybe if we were able to look at something like that, that probably would draw more of them to it. I think we have a responsibility to them to help them build for their future, and that is a good way to do it. So I would like to take a hard look at such a provision.

Senator GRAHAM. This will be my last question, and I will it over to Senator Nelson.

Dr. Chu, you have a forward-thinking view of how to reform personnel entitlement programs in the military. I can attest, having been on Active-Duty in the Guard and Reserve for many years, that our military personnel programs are not 21st century friendly. I am willing, and I will try, to get other subcommittee members to be equally willing to engage on changes that will allow military commanders to have more control over the Total Force, including the civilian force.

If you could, share with us what you would like to see this subcommittee consider when it comes time to redesigning the personnel system that currently covers civilians and military members.

Dr. CHU. On the civilian front, of course, Mr. Chairman, you have given us extraordinary authority with the NSPS legislation. We are in the process of implementing that authority. The meet and confer period with the unions, formally required by the statute, begins on April 18. We have already had, prior to that period, 10 meetings with the 41 unions representing the workers of this Department. We look forward to that continued dialogue with them on their comments. We received a large number of comments on the draft regulations.

Your continued counsel and support for that process is most welcome and most helpful, and I think essential to its success.

We are very eager, as my colleagues and I know, to try to bring the first spiral, as we are phrasing it, of civilian employees under this new system sometime later this summer. I think it will have an energizing effect on the Department's ability to carry out the Nation's missions.

To the Active and the Reserve Forces of the United States, we continually are seeking, and we have a number of proposals in this year's legislative package, as you are aware, to bring the tools with

which we manage that force into the 21st century, to recognize that people can serve longer. People are healthier, more active, and fit at later ages than was true before, and a number of changes like that, including, as you noted, the Army's decision to go to the statutory maximum in terms of enlistment eligibility.

I think where we need assistance is particularly in the Reserve community, to some extent also in the Active community, in additional targeted incentives, so we can put the inducements where they are most needed and to get the most effect for the funds that you provide for us.

I would ask on the Active front your support for the pilot authority language that is included in this year's package of proposals from the administration. It was, after all, the pilot demonstration on the civilian side over 25 years ago, starting with China Lake back in 1978, that taught us what we need to think about for the civilian work force. We need similar authority in specific military communities, and we would like to start with four officer communities, if we might, of limited scope. What is the best way to recruit, manage, develop, and promote the officer force for the future, recognizing that one size does not fit all and that we ought to be developing some alternative models here? I think that pilot authority would be very powerful.

It will not change things next year, except for those small communities that might be involved. It will, I would argue, have a dramatic, profound effect in what we will all learn together 5 or 10 years from now, and I think that will produce the next revolution in military personnel management.

Senator BEN NELSON. In conjunction with the flexibility in changing compensation arrangements, CNO Admiral Clark made reference in one of our hearings to changing the compensation of the Navy so it is not simply based on rank or on pay grade, as it has been in the past. Rather it would look at a way to do something in the way of compensation based more on skills that are required for certain jobs which would be consistent, I think, with retention flexibility. I am clearly inclined to support that effort. I think it makes sense. I suspect that every branch is looking at how to compensate based on the skill levels that you want to acquire and retain for the future.

Dr. Chu, no one needs to talk about the importance of quality education for children of families and for all children, for that matter. It is very important to all of us. I am concerned that the relocation of significant military units from overseas bases to military installations in the United States and perhaps even with Base Realignment and Closure (BRAC) could result in a significant impact on local civilian school systems. Many of these schools are already strapped for funds, and they do not have the means to suddenly assimilate large numbers of additional students. They do not get the Impact Aid funds and other funds, at a time that is convenient with their budgeting process necessarily. So they could incur the obligations and the expenses before they get any kind of compensation.

I wondered if the DOD is looking at this to see if there is any way to assist these local schools and to prepare for those increases

and/or what we might do in the way of Impact Aid to compensate for any of those changes.

Dr. CHU. Of course, Impact Aid, Senator, is governed by a formula that is in statute and subject to the appropriations process.

Let me join you, however, in underscoring the importance of quality education for the children of military families. It is one of the preeminent concerns of the contemporary military household, and properly so.

We have partnered with Johns Hopkins to look at what we can do as an institution to encourage successful educational outcomes in local school systems, which I think is the ultimate import of your question. It is highly variable today. It is not simply a matter of the resource position that the local school system has. I do not want to, however, deny the importance of resources in achieving good outcomes.

We do not have the results of that yet, but we would be delighted to share those results with you as soon as they are available, because our objective is to ensure that every military family can look forward to a high quality education for their children regardless of the location to which they are assigned.

Senator BEN NELSON. Parents, whether in the military or in the private sector, are equally concerned about quality education for their children. It's just that simple. The complexity is because of relocations based on military reassignments and relocation. I am looking at it from the standpoint of making sure that the local schools have the resources to be able to provide for those kinds of increases because of the impact on the school budgets and their ability to assimilate these students. I think it is a challenge that we need to address and I hope that we can. I will be anxious to see that study.

One further question, Dr. Chu. The Government Accountability Office (GAO) has determined that mobilized reservists suffer an alarmingly high rate of pay problems when they are on Active-Duty. An August 2004 GAO report concluded that 95 percent of the soldiers audited had at least one pay problem and many had multiple problems associated with their Active-Duty pay and allowances.

Another report was just released last month documenting that mobilized Army Guard soldiers were also experiencing significant problems getting accurate, timely, and consistent reimbursements for out-of-pocket travel expenses. This has caused significant financial problems for the soldiers and their families as they have had to carry debts on their personal credit cards, they have trouble paying monthly bills, and in some cases were unable to make child support payments, all of which is very unfortunate, as we all understand. They are suffering in many cases because of a pay cut due to their military service. So this is icing on a very bad cake.

I wonder if the Department has taken any actions to try to address this to ease these pay problems and reimbursement problems so that we can avoid this. If we are trying to make the military attractive, we do not need to have anything that makes it less attractive if there is something we can do to overcome that.

Dr. CHU. Absolutely, sir. Maybe General Hagenbeck would like to elaborate on the outline. I will offer it briefly.

First, on the travel reimbursement funds, I have encouraged the comptroller, and she has promised, that we will undertake an experiment to think about using debit cards as opposed to credit cards because that will solve, I think, a good deal of the problems involved in terms of late reimbursement. There may be some legal issues associated with that. They have yet to be worked out.

Second, the more important issue raised is the antiquated nature of our Reserve component pay systems. The Army has worked assiduously to get the current systems to work as well as we can. Our future, really, lies in bringing consistent with the phrase "Total Force," everyone to the same unified pay and personnel system. Take for instance, the model the Marine Corps pioneered over 10 years ago. For the Department as a whole, it goes under the name of Defense Integrated Military Human Resources System (DIMHRS). We are very hopeful of bringing the first parts of the Department under that system toward the close of this year. I think that really is the way ahead. We are grateful for everyone's patience in the meantime.

The Army and the Defense Finance and Accounting Service have taken extraordinary steps to try to deal with these issues, but that is an old system. The code is old, hard to maintain, and difficult to get to work properly.

Is there anything you might want to add?

General HAGENBECK. Senator, he is exactly right. The systems themselves are antiquated and difficult, and we have put some interim solutions into effect. I just came back from theater Saturday night, having spent about a week back over there checking, and this was one of the major issues we had worked.

We have done a couple of things. Prior to units deploying during the mobilization process, we take the personnel and the finance people through a course at Fort McCoy, Wisconsin. We also have mobile training teams that go out and train these personnel prior to the deployment.

Then when they go into theater, we have also increased and made more robust the higher level headquarters liaison in Kuwait, Afghanistan, and Iraq, adding Reserve and National Guard liaison finance officers to work these pieces for them specifically.

I got a very encouraging view out of Afghanistan with about four or five different liaison officers (LNOs) that are there and going out to all the teams. So quantitatively it looks like they have gone down, but for the one soldier that has a problem, it is a big problem. Until we get this compatible pay, which will ultimately integrate with DIMHRS, we are going to have to look at this very vigilantly every single day in theater.

Senator BEN NELSON. Well, obviously, we all know it is important, and I commend you for looking at it. On behalf of those who have experienced the problems, I encourage speed in resolving this. Certainly we want the best possible pay system for the reservists who are suffering these challenges right now.

Mr. Chairman, thank you.

Senator GRAHAM. Thank you.

We will let you go here. One quick question. If it became the will of Congress, after hearing the recruiting and retention problems, to

say that we needed to increase the Army end strength by 30,000 in the next 2 years, could you do that?

General HAGENBECK. Sir, anything is possible. It will take a concerted effort to do that.

Senator GRAHAM. It would be highly unlikely, would it not?

General HAGENBECK. Yes, sir. It would take a national effort. It is more than just an Army problem, as I said before. This is a piece that the Nation has to step up to if we want to increase the Army to those kinds of numbers.

Senator GRAHAM. Do we need to increase the Army?

General HAGENBECK. Sir, I would just reiterate what our chief has said before. In terms of numbers, with 640,000 mobilized right now, the temporary end strength that Congress has granted us is adequate for the conditions that exist today.

Senator GRAHAM. As for the Navy, the Navy is going to reduce its force by 13,000?

Admiral HOEWING. Yes, sir.

Senator GRAHAM. You did 8,000 last year. Is that correct?

Admiral HOEWING. 7,800.

Senator GRAHAM. You are going to do 10,000 reservists?

Admiral HOEWING. Over a 2-year period, yes, sir.

Senator GRAHAM. You did 8,000 reservists last year.

Admiral HOEWING. A total from 87,000 down to about 70,000 over a 3-year period is what our plan is for Reserves.

Senator GRAHAM. Do you have enough ships?

Admiral HOEWING. Yes, sir. Our ships today are much more capable than the ships in the past. The metric should not necessarily just be numbers, but we do have the littoral combat ship coming online, and every single one of those ships that is coming online in the future, as a part of a human systems integration process, will have less manning on board. So even as our ship numbers start to increase, as the shipbuilding program picks up over the next several years, our manning numbers will not go back up, simply because we have greater capability with less human beings on the ships and the platforms.

Senator GRAHAM. Well, thank you all for coming. One last comment. I think the problem that we are facing—and this is just my personal observation—is a chronic problem, not an acute problem. The retention numbers are understandable to me because people who join, join for a reason, and they get a lot of job satisfaction. But you see, even in the retention numbers, certain specialties are being affected because of high mobilization. That is why you are wanting a lot more money, because you have to entice people to stay because of the operational tempo of the Active Forces, because this war is stressing the force in my opinion. I would encourage each of you to go back and think about a scenario along these lines.

Senator BEN NELSON. I had one further question that your question triggered. With the reduction in the Air Force and the Navy end strength, I have heard of "Blue going Green." I wonder what kind of success you are having in redirecting many of these already highly-trained, highly-skilled military personnel, in the direction of the Army and whether the Army is able to assimilate and/or utilize these individuals who are furloughed out of the military, of the Navy and Air Force.

Admiral HOEWING. Senator, the Navy strongly supports the Blue to Green program. We understand it totally. As a part of our transition process for those sailors that are leaving Active-Duty, we inform them of the Blue to Green program. We have cooperative agreements with the Army. We will give them the e-mail addresses, addresses, and phone numbers, in order to be able to carry on that conversation back and forth.

Senator GRAHAM. What is your success rate of people leaving the Navy and voluntarily going to the Army?

General HAGENBECK. Sir, we have just gotten traction on the program. The numbers are small right now, 50 officers recently. That is a mix from the Navy and the Air Force, and we only have under 200 at this point for——

Senator GRAHAM. Too early to tell. Right?

Air Force, the same answer?

General BRADY. Yes. We have 109 enlisted and, I think, 26 officers at this point. Much as Admiral Hoewing said. All of this information is given to people as a part of their transition. We are working with Army recruiters, making sure that they have access to people on Air Force bases, and that people are aware, as we are drawing down our manpower currently, that this is one of the options that they have, including in the Reserve Officers' Training Corps (ROTC). We have a handful of cadets in Air Force ROTC that are taking their commission with the Army this year. It is not a large program. I think it will grow a little bit.

Senator BEN NELSON. Would a bonus arrangement, in particular, to make it even more attractive, be advisable given the fact that we have already invested hundreds of thousands of dollars in these military personnel?

General HAGENBECK. From the Army perspective, yes, sir. However, I know, as alluded to by General Brady, coming to the Army is just one of the options. Obviously, they are looking at the Reserve and Guard as well. So we have to balance that among the Services.

Senator GRAHAM. I do not know what it would cost to make a Navy guy go in the Army. That might be pretty expensive. [Laughter.]

Or vice versa.

Senator BEN NELSON. I noticed General Osman was quiet. Are any coming your way in that process?

General OSMAN. We will make our numbers. We do not need the Blue to Green help at this time, sir.

Senator GRAHAM. We may get some bills going here.

Admiral HOEWING. Senator, I would add on behalf of my friend in the Marine Corps, we actually have increased the number of officers going to the Marine Corps from the Naval Academy over the last 2 years because the need is there. The Navy officer requirement was going down, and it was a perfect match. So we believe in both colors of green.

Senator BEN NELSON. Well, I love this brotherly approach. I think it speaks well of our military and of our Department of Defense.

Senator GRAHAM. This has been a great panel.

I have a fundamentally different read on where we are going and why. I think the problem we face is more of a chronic problem tied to the war on terrorism. September 11 caused everybody to become very patriotic as it should have. People joined in record numbers, but this war has drawn out, and it is harder than most people thought. I think we are going to have well over 100,000 troops in Iraq and Afghanistan 2 years from now, not because we have done anything wrong, but because it is hard work to go from a dictatorship to a democracy.

The stress on the Guard and Reserves is a difference between the Cold War and the war on terrorism, and we need to adapt. We cannot have every C–130 flown into theater 2 years from now being flown by Reserve crews. Even the Guard and Reserve have a stretching point. If you like being deployed, as the marines do, your ship has come in as a marine, because you are going to be deployed as far as the eye can see. You do retain families, General. You really do.

We are going to stand with you, Dr. Chu. We are going to bring about reform. I honestly believe that we need to beef up in every way, not just convincing adults to be better influencers here. We need to make it as attractive as possible, and when somebody leaves the Navy because the Navy is overstaffed, we should do everything we can to keep them around, because they are patriotic, well-trained, Americans. We should look at this as an opportunity to plus up the Army from the Navy and the Air Force.

From the Navy's point of view, please do not lose sight of the fact that there is a certain amount of ships you are going to need. I really worry about China taking on Taiwan. I think this is a more dangerous world than all of us really completely understand, and a lot of people evaluating American Armed Forces may misunderstand that this stress is weakness. We are not weak. We are stressed.

God bless.

Senator BEN NELSON. Thank you.

Dr. CHU. Thank you.

General HAGENBECK. Thank you.

Admiral HOEWING. Thank you.

General OSMAN. Thank you.

General BRADY. Thank you.

Senator GRAHAM. Thank you very much. Now on to our second panel here. The heck with the script. We know who you are; you know who we are. We thank you all for coming. Each of you in your own way is helping America maintain its force, and I personally appreciate the energy you bring on servicemembers' issues to Capitol Hill, because without people like you, the ability of Congress to understand what is going on in the real world would be diminished.

So having said that, Mr. Strobridge will start.

STATEMENT OF STEVEN P. STROBRIDGE, CO-CHAIRMAN, THE MILITARY COALITION

Mr. STROBRIDGE. If you would indulge us, Mr. Chairman. Thank you, Mr. Chairman, and thank you, Senator Nelson, for this oppor-

tunity to discuss The Military Coalition's recommendations on military personnel and compensation issues.

I have to say, when I heard your questions, I was jumping up and down in the background. I do not think we could agree with you more in terms of the threat and the risk and our concern about looking at things in the most optimistic scenario possible. It is of great concern to us as it obviously is to you.

Before I begin, I would like to ask your permission to include a statement in the record from the Fleet Reserve Association, a member of The Military Coalition, if that would be all right, sir.

Senator GRAHAM. Absolutely.

[The prepared statement of the Master Chief Barnes follows:]

PREPARED STATEMENT BY MASTER CHIEF JOSEPH L. BARNES, USN (RET.)

INTRODUCTION

Mr. Chairman and other distinguished members of the subcommittee: The Fleet Reserve Association (FRA) is most grateful for your support of our military men and women and, particularly, those serving or having served in Afghanistan, Iraq and other troubled spots around the globe. At the top of the Association's gratitude list is the quality of life improvements adopted in the 108th Congress. Thanks so much for the effort FRA knows you contributed in the previous year for making a tough life much easier for those that might make the ultimate sacrifice in the service of this Nation. BRAVO ZULU.

This statement lists the concerns of our members, keeping in mind that the Association's primary goal will be to endorse any positive safety programs, rewards, and quality of life improvements that support members of the uniformed services, particularly those serving in hostile areas, and their families.

FRA is concerned that in spite of signs of bravado, many of our sailors, marines, and coast guardsmen serving in Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) may not be fully armed with the protective devises available for their personal safety. Advocating the receipt of these protective devices: i.e.—interceptor body armor, outer protective vests, and small arms protective inserts; to every uniformed member sent into harm's way is FRA's No. 1 priority.

The Association's next priority is to see that our wounded troops, their families, and the surviving families of the men and women killed in action are cared for by a grateful Nation. The Departments of Defense (DOD), Veterans Affairs (VA), Labor (DOL), etc., should all be working together to provide this support. FRA, as a veterans' service organization, will do its share in representing those who seek its assistance in gaining medical and health care, special programs, and other benefits available now and in the immediate future. In this respect, FRA fully endorses the proposed increases to death gratuity and life insurance proposed by the administration. Further, the Association advocates the adoption of any proposal that authorizes our wounded veterans continuance of their combat pay and other special pays received while in combat until the completion of their hospital care or discharge from their respective military service.

OTHER GOALS

Health Care. FRA and its-membership are most grateful for the improvements in accessing proper health care for the military community and the expansion of the program to provide greater care for military retirees and their families. Not everyone in the military community is pleased, but Congress has done much with the resources available to offer the best program for as many beneficiaries as possible. There are other proposals on the table that would increase benefits for those not satisfied with the current program. FRA endorses these proposals for many of its members would be affected by their adoption. However, the Association's primary concern is that existing programs be adequately funded for fiscal year 2006 and beyond.

Active Duty/Reserve Programs. The topping the list among the Active-Duty and Reserve members of the Sea Services (Navy and Marines) are adequate pay and allowances, child care and housing.

Pay and Allowances. This distinguished subcommittee has for the past years improved compensation that, in turn, enhanced the recruitment and retention of uniformed personnel in an All-Volunteer environment. Adequate and targeted pay in-

creases for middle grade and senior petty and noncommissioned officers have contributed to improved morale and readiness. With a uniformed community that is more than 50 percent married, satisfactory compensation relieves much of the tension brought on by operational and personal tempos.

For the fiscal year 2006, the administration has recommended a 3.1 percent across the board basic pay increase for members of the Armed Forces. This is commensurate with the 1999 formula to provide increases of 0.5 percentage points greater than that of the previous year for the private sector. With the addition of targeted raises, the formula has reduced the pay gap with the private sector from 13.5 percent to 5.2 percent following the January 1, 2005, pay increase.

FRA, however, is disappointed that there are no targeted pay increase recommended, particularly for mid-grade and more senior enlisted personnel. FRA, The Military Coalition, the 9th Quadrennial Review of Military Compensation (9th QRMC), and the DOD have advocated the necessity for targeted pays. In spite of the number of targeted pay increases in the last few years, the pay of our noncommissioned and petty officers remains compressed, a situation that has existed since the advent of the All-Volunteer Force. Examples of compression are noted below:

PAY COMPRESSION

Basic Pay

	E–5—12 YOS		E–7—16 YOS		E–9—20 YOS	
	Pre Average	Average	Pre Average	Average	Pre Average	Average
.....	$471	$471	$627	$627	$844	$844
Recruit (E–1)	$144	$269	$144	$269	$144	$269
Ratio of Pay (Nearest $1)	3.1	2.1	4.1	2.1	6.1	3.1
Ratio of Pay 2005		2.1		3.1		4.1

FRA urges the subcommittee to adopt a targeted pay table for fiscal year 2006, at least proportionate to that of January 1, 2004, and ensure that uniformed members of the Public Health Service (US PHS) are included in the pay increase authorized for fiscal year 2005.

Submarine Incentive Pay. On October 1, 2004, the United States Navy authorized increases in Submarine Incentive Pays for commissioned officers in grades 03 to 06. The Navy noted this was the second phase of increases that began with enlisted and junior officers on October 1, 2002; however, the Navy has yet to verify it would increase the pay of commissioned officers at a later date.

Submarine Incentive Pay originally was offered only to enlisted submariners. Subsequently, commissioned officers were authorized the payment at the same percentage as for enlisted (50 percent of basic pay). In 1928, the Hook Commission reported the need to provide greater incentives to commissioned officers. "The rates proposed for hazard pay serve as an inducement to undertake and continue special duties, and such inducement need not be as great in monetary terms for lower paid and less advanced personnel as for higher paid and more highly trained personnel." . . . fortunately this is now not the case. It is evident the current Chief of Naval Operations (CNO) Admiral Vern Clark, agrees: I'm fond of saying that chiefs make the Navy run. Chiefs are the most influential leaders that we have in our institution."

The Chiefs' importance to the Navy also applies to the Navy's submarine service and FRA questions why the Navy increases the rates of submarine incentive pay for certain submarine officers while allowing the rates for senior enlisted chiefs to decrease with time in service. Are experienced and chiefs with longevity of lesser valuable to the submarine service than the officers with like experience and time in service? See chart below.

VALUE OF INCREASES

Commissioned Officers - Oct. 1, 2004			
03(8 YOS & 26 YOS)	04(8 YOS & 26YOS)	05(8 YOS to 26 YOS)	06(8 YOS to 26 YOS)
$595 to $705	$595 to $790	$595 to $830	$595 to $830

Senior Enlisted Chiefs - Oct. 1, 2002		
E7(8YOS & 26 YOS)	E8(8YOS & 26YOS)	E9(8YOS & 26 YOS)
$140 to $95	$120 to $75	$110 to $70

(YOS = Years of Service)

FRA seeks this subcommittee's assistance in directing the Navy to review its submarine incentive pay rates and offer more equitable rates to senior enlisted submariners commensurate with those authorized for commissioned officers on October 1, 2004.

Other Pays and Allowances. FRA supports for the continuation, and enhancement of bonuses and other compensatory items necessary for the military services to function accordingly and to provide the necessary incentives for the Nation's young men and women to serve in the Armed Forces. Recruiting and retention are vital to the success of the All-Volunteer Force and fulfilling the Nation's commitments.

Basic Allowance for Housing (BAH). FRA supports The Military Coalition in seeking revised housing standards. Many enlisted personnel, for example, are unaware of the standards for their respective pay grade and assume that the applicable BAH level is determined by a higher standard than they may be authorized. This causes confusion over the mismatch between the amount of BAH they receive and the actual cost of their type of housing. As an example, enlisted members are not authorized to receive BAH for a 3-bedroom single-family detached house until achieving the rank of E–9—which represents only 1 percent of the enlisted force—yet many personnel in more junior pay grades do in fact reside in detached homes. The Coalition believes that as a minimum, this BAH standard (single family detached house) should be extended gradually to qualifying servicemembers beginning in grade E–8 and subsequently to grade E–7 and below over several years as resources allow.

FRA is most grateful to the subcommittee for acting in 1999 to reduce out-of-pocket housing expenses for servicemembers over several years. Responding to your leadership on this issue, the DOD proposed a similar phased plan to reduce median out-of-pocket expenses to zero by fiscal year 2005. Through the leadership and support of this subcommittee, this plan has been implemented. This aggressive action to better realign BAH rates with actual housing costs has had a real impact and provides immediate relief to many servicemembers and families struggling to meet rising housing and utility costs.

The Association applauds the subcommittee's action to deliver on this commitment. Unfortunately, housing and utility costs continue to rise, and the pay comparability gap, while diminished over recent years continues to exist. Members residing off base face higher housing expenses along with significant transportation costs, and relief is especially important to junior enlisted personnel living off base who do not qualify for other supplemental assistance.

FRA urges the subcommittee to direct gradual adjustments in grade-based housing standards as commended above and to more adequately cover members' current out-of-pocket housing expenses.

Permanent Change of Station (PCS) Reimbursements. As The Military Coalition noted in its statement FRA, too, is most appreciative of the significant increases in the Temporary Lodging Expense (TLE) allowance authorized for fiscal year 2002 and the authority to raise PCS per diem expenses to match those for Federal civilian employees in fiscal year 2003. FRA greatly appreciates the provision in the fiscal year 2004 defense bill to provide full replacement value for household goods lost or damaged by private carriers dent directed moves, and looks forward to the timely implementation of the DOD comprehensive "Families First" plan to improve claims procedures for servicemembers and their families.

These were significant steps to upgrade allowances that had been unchanged in over many years. Even with these changes, however, servicemembers continue to incur significant out-of-pocket costs in complying with government-directed relocation orders.

For example, PCS mileage rates have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile—less than half the 2005 temporary duty mileage rate of 40.5 cents per mile for military members and Federal civilians. PCS household goods weight allowances were increased for grades E–1 through E–4, effective January 2003, but weight allowance increases are also needed for servicemembers in grade E–5 and above to more accurately reflect the normal accumulation of household goods over the course of a career. The Association recommends modifying weight allowance tables for personnel in pay grades E–7, E8, and E–9 to coincide with allowances for officers in grades O–4, O–5, and O–6, respectively. FRA also supports authorization of a 500-pound professional goods weight allowance for military spouses.

In addition, the overwhelming majority of service families own two privately owned vehicles, driven by the financial need for the spouse to work, or the distance some families must live from an installation and its support services. Authority is needed to ship a second POV at government expense to overseas' accompanied assignments. In many overseas locations, families have difficulty managing without a second family vehicle because family housing is often not co-located with installation support services.

With regard to families making a PCS move, members are authorized time off for housing-hunting trips in advance of PCS relocations, but must make any such trips at personal expense without any government reimbursement such as Federal civilians receive. Further, Federal and State cooperation is required to provide unemployment compensation equity for a military spouse who is forced to leave a job due to the servicemember's PCS orders. FRA also supports authorization of a dislocation allowance to servicemembers making their final "change of station" upon retirement from the uniformed services.

FRA is sensitive to the subcommittee's efforts to reduce the frequency of PCS moves. But we cannot avoid requiring members to make regular relocations, with all the attendant disruptions in their children's education and their spouse's career progression. The Association believes strongly that the Nation that requires them to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.

FRA urges continued upgrades of permanent change-of-station reimbursement allowances to recognize that the government, not the servicemember, should be responsible for paying the cost of government-directed relocations.

Combat and Incentive Pays during Hospitalization. FRA joins The Military Coalition in strongly urging the subcommittee to take action to ensure combat-wounded servicemembers do not have their pay reduced or their taxes increased during periods of hospitalization. The Coalition believes that such compensation treatment is essential for servicemembers who continue to suffer from the hazardous conditions that combat-related incentive pays and tax relief were created to recognize.

Basic Allowance for Subsistence (BAS). FRA is grateful for the increases in BAS over the years. There is more to be done; however, to permit single career enlisted members greater individual responsibility in their personal living arrangements believes it is inconsistent to demand significant supervisory, leadership, and management responsibilities of noncommissioned and petty officers, but still dictate to them where and when they must eat their meals while at their home duty station.

FRA urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent of single members residing in government quarters. As a long-term goal, extend full BAS eligibility to all single career enlisted members, beginning with the grade of E–6 and, eventually, to the lower grades as budgetary constraints are eased.

MGIB. The Montgomery GI Bill (MGIB) often is characterized as a form of compensation or as a "recruiting tool." However, FRA would argue that it would be more appropriate to consider the benefit an investment in our Nation's future. Military personnel can use the MGIB on Active-Duty to aid in their professional development, giving them the tools to become better leaders, mentors and representatives of their respective Service. Many veterans who leave the military and use the MGIB to further their education have become more productive members of our society. From the offensive backfield of the Denver Broncos to the halls of Congress to several Fortune 500 Companies to small businesses in Main Street, America, there are college graduates who used the MGIB stipend to help pay for their education. These veterans pay taxes, returning more in revenue to the Treasury than what they might have contributed without a degree. (Persons with Bachelor Degrees earn 70 percent more on average than those with a high school diploma.)

Our Nation has a responsibility to ensure the MGIB investment remains a relevant supplement to completing one's education. We must give our veterans the tools to excel in an academic environment.

FRA recommends the enhancement of benefits currently available in the MGIB. The Association is grateful for the October 1, 2004 increases in basic rates but they cover only about 60 percent of current tuition expenses. A creation of a benchmark for the MGIB will keep pace with the cost of an average 4 year college education. The cost of a 4-year college education for the school year 2004–2005 ($20,082 for 4-years at private institutions; $5,132 at public institutions) is much greater than what is available through the MGIB. Enhancing the value of the MGIB would be an improved incentive to enlist or reenlist in the Armed Forces.

There are 61,000 senior enlisted members in the Armed Forces who entered military service during the Veterans Education Assistance program (VEAP) era and did not have the opportunity to enroll in the MGIB. FRA urges the adoption of an open enrollment period offering these enlisted leaders a chance to sign up for the education benefits available through the MGIB. In fact, the Association believes the MGIB should be expanded so that any uniformed member reenlisting in his or her military service will have the opportunity to enroll in the program.

FAMILY READINESS AND SUPPORT

It's most important that DOD and the military services concentrate on providing programs for the families of our servicemembers. There are a number of existing spousal and family programs that have been fine tuned and are successfully contributing to the well-being of this community. The Navy's Fleet and Family Centers and the Marines' Marine Corps Community Services (MCCS) and Family Services programs are providing comprehensive, 24/7 information and referral services to the servicemember and family through its OneSource links. OneSource is particularly beneficial to mobilized reservists and families who are unfamiliar with varied benefits and services available for their use.

It's true that 'the servicemember enlists in the military service but it's the family that reenlists.' To ensure the family opts for a uniformed career, the family must be satisfied with life in the military. To assist in bringing that satisfaction, FRA recommends the following to the subcommittee.

Child and Youth Programs. Both programs rank high in priority for the families of sailors and marines. As an integral support system for mission readiness and deployments, its imperative these programs continue to be improved and expanded to cover the needs of both married and single parents. Currently, the Navy's program cares for over 31,000 children 6 months to 12 years in 227 facilities and 3,180 on- and off-base licensed child development homes. With the high priority tagged to child care, FRA urges Congress to continue enhancing and increase funding for this important benefit.

Pre-tax Treatment Child Care Expenses. FRA seeks the support of the subcommittee to direct the DOD to implement flexible spending accounts for pre-tax payment of child-care expenses. The Association urges the subcommittee to coordinate with the Ways and Means Committee to enact such authority as may be needed as soon as possible.

Spousal Employment. Today's All-Volunteer environment requires the Services to consider the whole family. It is no longer adequate to focus only on the morale and financial well-being of the member. Now, his or her family must be considered. One of the major considerations for spousal employment is it could be a stepping-stone to retention of the servicemember—a key participant in the defense of this Nation. The Association urges Congress to continue its support of the military's effort to affect a viable spousal employment program and to authorize sufficient funds to assure the program's success.

Impact Aid. FRA is most appreciative for the Impact Aid authorized in previous Defense measures but must urge this subcommittee and its full committee to support a substantial increase in the funding for schools bearing the responsibility of educating the children of military personnel and Federal employees. Current funds are not adequate to ably support the education of federally sponsored children attending civilian community elementary schools. Beginning with the Nixon administration, funding for Impact Aid has decreased dramatically. For example, in the current fiscal year the Military Impacted Schools Association (MISA) estimates Impact Aid is funded at only 60 percent of need according to law. Our children should not be denied the best in educational opportunities. Impact Aid provides the children of our sailors, marines, coast guardsmen, soldiers, and airmen, a quality education. FRA implores Congress to accept the responsibility of fully funding the military Impact Aid program. It is important to ensure our servicemembers, many serving in harm's way, have little to concern with their children's future but more to do with the job at hand.

Morale, Welfare, and Recreation Programs (MWR). FRA can't help but believe Congress and even the military services are less concerned with MWR programs that are really vital to supporting the servicemember and his or her family. The Navy's top enlisted chief, Master Chief Petty Office of the Navy (MCPON) Terry Scott U.S. Navy (USN) again this year advised a House panel on February 16, 2005, he is particularly troubled that current budget decisions will place a greater burden on the Service in providing the necessary programs so important in maintaining the well-being of its sailors and families. The MWR programs of the Navy; Child Care, Fleet/Family Support Program (FFSP), for example, include recreation, fitness, social and community support activities, spouse employment, personal financial management, counseling, family advocacy, safety, transition and relocation—all having a positive affect on Fleet Readiness.

MCPON Scott noted he was concerned that as "we continue to face increased demands on operational costs these MWR programs and the sailors they serve will be tempting targets for reduction." So it has been on many naval installations worldwide. The MCPON knows MWR programs are "crucial to readiness and retention of (the) force." There is no one closer to the enlisted men and women of the Navy than their top senior enlisted chief petty officers. They work along side enlisted sailors who make up about two-thirds of the naval forces and are aware of what affects their subordinates. These senior enlisted chiefs, in turn, pass the information along to the MCPON who reads the signs that readiness and retention will suffer if Congress fails to fund the Navy's MWR programs and services.

Currently, the shortage of funds is curtailing or closing some of the activities while the costs of participating in others have increased over the past year or 2. One major problem is in Europe. The weakening dollar has caused an increase in child-care rates, movie tickets, etc., and placed a hiring freeze on MWR employees.

The lack of fiscal support for MWR programs is damaging the need to provide mental and physical relief to both sailors and families from the stress of deployments that have increased dramatically since the military downsized in the 1990s. MWR programs build a community spirit among those living on or near a military installation, something not experienced by those who may seek comfort and well-being from a civilian environment. FRA disagrees with the DOD's apparent effort to move housing, schools, hobby shops, etc., off-base in order to save money for other purposes. MWR facilities should be fully funded and include, where and when available, the Guard, Reserve, and retired military population residing in the area. One group aids the other. Who better to assist, comfort, counsel, and encourage military family members concerned with the conflict in Iraq, continuing deployments, and other military related activities?

FRA again recommends a review of the MWR program be undertaken by Congress to evaluate its importance to the uniformed services as a factor in maintaining the highest in morale, and readiness, relieving both operational tempo (OPTEMPO) and personnel tempo (PERSTEMPO), and generating a valid incentive for retention. The goal, hopefully, will be to restructure fiscal responsibilities for funding and, perhaps, restrict (fence) expenditures to MWR exclusively.

Dislocation Allowance (DLA). Moving households on government orders can be costly. Throughout a military career, servicemembers endure a number of permanent changes of station. Too often each move requires additional expenses for relocating to a new area far removed from the servicemembers' current location.

Dislocation allowances are authorized for military-ordered moves. To aid servicemembers in defraying these additional costs, Congress in 1955 adopted the payment of a special allowance—termed "dislocation allowance"—to recognize that duty station changes and resultant household relocations reflect personnel management decisions of the Armed Forces and are not subject to the control of individual members.

Odd as it may appear, servicemembers preparing to retire from the Armed Forces are not eligible for dislocation allowances, yet many are subject to the same additional expenses they experienced when effecting a permanent change of station during the 20 or more years Active Duty spent earning the honor to retire. Moving on orders to another duty station or to retire are both reflective of a management decision. Retiring military personnel after completing 20 years of service is advantageous to the Armed Forces. It opens the ranks to much younger and healthier accessions. FRA recommends amending 37 USC § 407, to authorize the payment of dislocation allowances to members of the Armed Forces retiring or transferring to an inactive duty status such as the Fleet Reserve or Fleet Marine Reserve who perform a "final change of station" move of 50 or more miles.

THE NAVY'S TRANSFORMATION

Of major concern to FRA is the Navy's transformation program. Under the guise of 'transformation' the Navy will be saying goodbye to 60,000 or more officers and sailors by 2011, mothballing one or more aircraft carriers, reducing the number of ships and submarines, scrapping a number of aircraft squadrons, and cutting back on quality of life programs for its personnel. FRA submits that the Navy's 'transformation' program could become a means to reduce the Sea Service to a secondary power in the world's naval services. The United States can ill afford to allow the Navy to shrink from unquestionably the world's most powerful to perhaps one of the world's best.

Some of the Navy's recently developed personnel programs appear to be harmful to the morale and readiness of a number of its enlisted men and women, as well as some of its commissioned officers. FRA conducted a survey during September 2004 and noted that 60 percent of the respondents said the Navy's proposed reduction in manpower "will significantly have a negative impact on (their) morale." Of the 41 who participated in the Sea Swap program, 30 agreed it had a negative affect on morale and the ability to perform their assigned duties.

FRA is reminded of the Army's transformation program. It cut the size of its forces and is now facing difficulty in providing adequate manpower, mobility, armament, and personal safety to fulfill its mission in Iraq. Let's not idly sit back in the name of budgetary restraint to emasculate the Navy. It plays a major role, along with the other Armed Services, in protecting our citizens and preventing the enemy from using the contiguous oceans to attack the United States.

Additionally, FRA is concerned with the effect the Navy's reduction program will have on the Marines. The Association believes the Navy should not be afforded the opportunity to reduce further its sealift capability. As noted by a retired Marine General, a former director of naval expeditionary war, "If we can't get our (Marine) forces to the objective area expeditiously and in sufficient quantity to in, then we are relegated to a long, protracted attrition type of conflict." He concluded by saying that, beyond the sealift capability, the Marines need the infrastructure offered by amphibious ships to sustain prolonged operations.

FRA urges the subcommittee to closely monitor the Navy's "transformation" program and urge the DOD and Navy to reassess the Navy's future role in the defense of the United States.

FORCE SIZE/READINESS/OPTEMPO/PERSTEMPO

FRA will again simultaneously address force size, readiness, OPTEMPO, and PERSTEMPO as one issue. Readiness is achieved at its highest if force size is adequate in numbers, OPTEMPO is not too excessive, and PERSTEMPO is not adversely affecting the performance of individual servicemembers. FRA noted in its fiscal year 2005 statement that all four were suffering from a shortage of uniformed members. Since then, this subcommittee, in fiscal year 2005, added numbers to the uniformed manpower in both the Army and Marine Corps. FRA is grateful for the increase and is hopeful the added manpower will be the answer to the difficulty experienced by the military in Iraq over the past few years. FRA, with The Military Coalition, will continue to monitor the situation to ensure the numbers remain sufficient to relieve both OPTEMPO and PERSTEMPO brought on by operations in Afghanistan and Iraq.

RESERVE COMPONENT

Operational Tempo. The increase in the use of Reserve units to serve along side Active-Duty components in Iraq, as an example, has caused considerable challenges for individual reservists. Not only has their mobilization placed a strain on employment and income, but the family as well. Employer support, once strong, decreases as more essential employees are whisked-off to spend longer periods in uniform leaving the employer frustrated with having to find a replacement and, at the same time, hold the position open for the reservist's return.

FRA has always supported the Total Force Policy but is concerned that the sustained use of Reserve Forces will eventually harm the recruiting and retention of young men and women willing to serve as future citizen sailors, marines, and coast guardsmen. The United States must maintain a strong Reserve Force at all times in the event a greater need than at the present.

The fiscal year 2005 defense authorization bill established a Commission on the National Guard and Reserves. FRA is in hope that it will provide recommendations to this subcommittee on what enhancements are necessary to recruit and retain the number of reservists required for the defense of the United States. There is a possi-

bility the study may include recommendations addressing such issues as tax relief, healthcare, retirement upgrades, improvements in the Montgomery G.I. Bill Select Reserve (MGIB–SR) and family support programs.

Until the study is released, FRA urges this subcommittee to move rapidly in the area of enhancing and improving the following agenda.

- Increase both enlisted and reenlistment bonuses.
- Enhance the MGIB–SR rates for those who choose to participate in the program.
- Adopt legislation that would provide academic and financial protection to members who are attending an institution of higher learning when called to Active-Duty.
- Support and fund programs for families, particularly those geographically dispersed and not readily accessible to military installations and inexperienced with the military.
- Authorize cost-share access to TRICARE for members of the Selected Reserve and their families.

RETIRED COMPONENT

Survivor Benefit Plan. FRA has experienced a greater concern for improving the Survivor Benefit Plan (SBP) than any issue on its Web site (www.fra.org). With an average age of 68 on the Association's membership roll, the concern is justified. Most convincing is the need to continue refining the program. There are many FRA members, and other military retirees, age 70 and older, who have been paying into the Plan for more than 30 years with the only relief more than 3-plus years into the future.

There are three compelling reasons to amend the Plan. One, the cost of participating in SBP has increased from 60 percent for the military retiree to more than 80 percent allowing the DOD to renege on its original charge to provide 40 percent of the cost. Two, the SBP was fashioned from the survivor program for retired Federal employees, yet the military retiree on the average will pay more for participating in his or her Plan. Three, the military retiree on the average will pay into the SBP over a longer period than the Federal retiree. Although Congress has adopted a time for SBP participants to halt payments of premiums (when payments of premiums equal 30 years and the military retiree is 70 years of age) the date is more than 3 years away. Military retirees enrolling on the initial enrollment date (1972) will this September be paying premiums for 33 years, by 2008, 36 years.

FRA recommends and urges the subcommittee to adopt an amendment to the SBP to restore the value of participating in the program by changing the date 2008 to October 31, 2005 when certain participants attaining the age of 70 and having made payment to the Plan for at least 30 years are no longer required to make such payments.

Authorize Surviving Spouses a Full Month's Retired Pay for Month in which Retirees Die. This is a proposal initiated by FRA based an pleas tram surviving spouses caught in the bureaucracy of mammoth rules and regulations, absolutely foreign to them. Current regulations require survivors of deceased military retirees to return any retirement payments received for the month in which the retiree dies. On the demise of a retired servicemember entitled to retired pay, the surviving spouse or beneficiary is to notify the DOD of the death. The Department's financial arm then stops payment on the retirement check or electronic deposit and subsequently recalculates the payment to cover the actual days in the month the retiree was alive. In other cases where the death is not reported in a timely manner, any payments made for the days the retiree was not alive will be recouped.

Retirement and its related activities are most agonizing if not an arduous experience for many military retirees and families transitioning to an unfamiliar civilian-lifestyle. For the average retiree, most likely an enlisted member, he or she will suddenly discover finances now will be more than a principal concern. On leaving Active-Duty, the retiree's income will drop 60- to 70-percent of what he/she earned while in uniform. The enlisted retiree, unlike his or her Active-Duty counterpart, will receive no death gratuity and, in the case of many of the older enlisted retirees, would not have had the financial resources to purchase adequate insurance to provide a financial cushion for the surviving spouse.

Death is a most traumatic experience for survivors. It is a most painful time when the surviving spouse must accept the task of arranging for the deceased members' funeral services. The additional cast involved constitutes a major output of scarce family dollars only amplified by the loss of retirement income when needed the most. A final month's retirement payment will go far in helping to sooth the strain on the survivor's financial obligations.

To aid in reducing the cost of the proposal, survivor benefit payments may be forfeited for the month in which the retiree dies and, in lieu thereof, the survivor receives the retiree's final month's check. In the event the retiree's final month's retirement check is less than the SBP annuity, the survivor would receive the one most favorable.

FRA recommends that, in consideration of service to the Nation and the trauma surrounding the death of a retired servicemember, the surviving spouse would be entitled to receive and retain the final retired paycheck/deposit covering any month in which the member was alive for any 24-hour period.

Concurrent Receipt. The National Defense Authorization Act (NDAA) for Fiscal Year 2003 authorizes a special compensation that establishes a beachhead to authorizing full concurrent receipt, a term for the payment of both military non-disability retired pay and any VA compensation for service-connected disabilities without a reduction in one or the other payment. The fiscal year 2004 and 2005 NDAA expanded the benefit list. Although FRA is appreciative of the effort of Congress to address the issue, it fails to meet the resolution adopted by the Association's membership to seek full compensation for both length-in-service military retirement and VA compensation. Currently, the receipt of VA compensation causes a like reduction to a retired servicemember's military retired pay. This leads to the belief, and well deserved, that retired servicemembers, earning retired pay as a result of 20 years or more of service, are forced to pay for their own disablement.

Most disabilities are recognized after the servicemember retires. Some are discovered while the member is still performing Active-Duty or as the result of a retirement physical. However, it is to the benefit of the DOD to retire the member without compensation for any disability. Instead, the member is directed to the DOD for compensatory relief for the damages incurred by the member while serving the Nation in uniform.

Prior to 1975, all military disability pay was tax exempt. A perception of abuse to the system, mostly in the Armed Forces senior officer grades, caused Congress to amend the Internal Revenue Code. The Tax Reform Act of 1976 forced the DOD to change the rules so that only a percentage of the member's disability retired pay attributable to combat-related injuries would be tax-exempt. Subsequently, many retiring servicemembers petitioned the VA for relief for service-connected injuries.

Servicemembers, whether in uniform or retired, are considered Federal employees subject not only to Title 10, U.S. Code, but Title 5, U.S. Code, regulating the conduct and performance of government employees, on the job or retired. When retired, servicemembers are not entitled to VA compensation payments for their disabilities without forfeiting an equal amount of their retired pay with one exception; military retirees may go on the Federal employee rolls and subsequently retire using military service time to calculate their Federal retirement annuity. They, then, may receive veterans' compensation as well as Federal civil service retirement payments with no offsets, reductions, or limits. Why should current law discriminate against the military retiree?

FRA encourages Congress to take the helm and fully authorize and fund concurrent receipt of military non-disabled retirement pay and veterans' compensation. Congress should remember that U.S. servicemembers, more so than any collective group, not only had a major hand in the creation of this Nation, but have contributed for more than 200 years to the military and economic power of the United States. Those who have served in the Armed Forces for 20 years or more years certainly deserve the opportunity to have equity with their counterparts in the Federal service who can earn both without a penalty to one or the other.

Cost of Living Adjustments (COLA). Recent threats to curtail or halt cost of living adjustments have been lobbed in the direction of military retired pay and related payments such as survivor benefit annuities. Once again, Congress is urged to keep its promise that military retired pay will maintain its purchasing power based on increases in the Consumer Price Index (CPI).

One must recall that the wisdom of Congress initiated the COLA program in lieu of the "recomputation" system. Recomputation was a term used to describe adjustments to military retired pay prior to the 1970s. Military retirees received retirement pay adjustments each time Active-Duty pay was increased. This system guaranteed the servicemember if he/she retired at a certain percentage of Active-Duty pay, that pay would maintain the same percentage factor to Active-Duty pay throughout retirement. In 1963, Congress—concerned with a heightened number of retired WWII members on the retired roll—decided to switch to the CPI method.

In 1985 the Gramm-Rudman-Hollings Act gave the administration an open door policy to "stop payment" on COLAs to military retired pay. The result was a frontal attack on Congress by military retirees under the banner of the newly formed (The) Military Coalition. Congress did not include veterans in its sequestration proposing

a 3.7-percent COLA for veterans and their survivors, so the Coalition used the slogan, "Military retirees are veterans too." The Coalition was irate.

Conversely, COLA protection is the paramount reason military retirees make an irrevocable decision to elect significant reductions in retired pay to provide surviving spouses and children with an annuity following the retiree's death. The most compelling reason for the decision is that the guaranteed inflation protection made the SBP a superior alternative to life insurance policies. The sequestration of COLA funds violate that guarantee and greatly diminishes the value of the SBP.

FRA recommends that Congress—if it reduces the fiscal year 2006 budget—not target military and Federal retirees' retirement pay. Such action is discriminating and contrary to the promise made by Congress to maintain the purchasing power of military retirement pay.

Uniformed Services Former Spouses Protection Act (USFSPA). The USFSPA is a statute adopted without hearings on the House side and no up-or-down vote in the Senate. As one member of the House said at the time, the law will cause more problems than it will solve. How true the prediction.

Since its inception in 1982, more than two-thirds of States have adopted community property laws. More have turned to no-fault decisions in determining the outcome of divorces. Some of the actions were the result of State Courts embracing the USFSPA as a means to automatically strip military retirees of their hard-earned retirement pay for the payment of alimony to a former spouse who in far too many cases, failed to dedicate the same number of years to the marriage and the military. Whether serving in war or peace, the military member is credited only 2½ percentage points for each year of Active-Duty. It takes at least 20 years to receive sufficient credits to qualify for retirement. On reaching that plateau the member becomes entitled to 50 percent of his or her Active-Duty pay. Fifty percent of the member's Active-Duty pay, by the way, is nearer to 30 percent of all pay and allowances earned while serving in uniform.

One of the major problems with USFSPA is it allows state courts to consider military retired pay as property that may be divided between the retiree and the spouse/former spouse. The court, with little or no knowledge of how the retiree earns retired pay, grants the spouse/former spouse a portion of that retired pay for the life of the retiree, regardless of the number of years of marriage. A lifetime of payments to a spouse/former spouse for a period of marriage less than 20 years during which the retiree was slowly accruing only 2½ percent for each of those years is unfair, inequitable, and discriminating.

The spouse/former spouse should not be entitled to more than an equal percentage of the retiree's retirement pay for each year of marriage and should not be in receipt of that amount for any longer than the number of years of marriage. Although the servicemember is not entitled to retired pay until the minimum credible time is completed, the former spouse can become eligible at any time based on the decision of a Civil Court.

It's a terrible law. Moreover, since State courts have little if anything to say about how the military directs its people to serve the Nation, and servicemembers agree only to defend the Constitution, why does the Federal Government dump its fiscal responsibilities to its uniformed members onto the State courts?

FRA recommends that this subcommittee, Congress, accept the responsibility of conducting a review and the possible adoption of amendments to the Uniformed Services Former Spouses Protection Act [10 USC, 1408] to establish a more equitable division of the servicemember's retirement pay with a spouse/former spouse upon dissolution of a marriage.

Medical Care Recovery Act. In the summer of 2003 while the new Sergeant Major of the Marine Corps was in the process of assuming his duty, his wife was nearly killed by a "wayward driver." She spent weeks in a Navy hospital the recipient of emergency brain surgery, intensive care, military air transportation to Washington, D.C, from California, and both occupational and physical therapy. Now the Navy is proceeding to recover the returns from the insurance companies of both parties, an estimated $100,000.

The Navy, as with the other Services, cites a 41-year old law, Medical Care Recovery Act, as the basis to collect payment for medical care administered to uniformed personnel. According to a January 4, 2004, news article by James W. Crawley in the San Diego Union Tribune, the Navy collected $11 million in reimbursements from insurance companies in the past year "that would have gone to sailors, marines, and their dependents."

Apparently, the law is reasonable. The Navy operates its medical facilities with taxpayer funds and it is only right that these expenditures be recovered whenever possible. However, the question of fairness rises to the front when the process of recovery goes against the victim. FRA believes any recovery should come from the

insurance of the party at fault. In many cases the proceeds from the victim's insurance policy will be earmarked for expenses involved in the continued care of the victim, babysitting, replacement vehicle, and other everyday living requirements not now accomplished on a personal basis but by payment or hire.

The ironic part of this statute is that recovery is only collectible through a third party. If a servicemember is injured as a result of "willful and negligent" acts and in receipt of medical care in a military treatment facility (MTF), no claim of recovery can be made against the member.

The law does allow the Secretary concerned to waive a claim of the United States. However, it is doubtful that affected servicemembers are aware such a waiver may be granted if requested. Such information should be disseminated to all servicemembers through the military's information program and upon receipt of treatment and care at a MTF.

FRA recommends a review of the law, 10 USC 1095, and the possibility of an amendment authorizing the no-fault victim to retain a certain percentage of the proceeds from insurance claims so the no-fault victim will not bear a fiscal burden during a time of financial need.

OTHER ISSUES

Predatory Lending and Pension Selling. FRA continues to be vitally concerned that there are lending institutions and other predatory businesses whose mission appears to be scamming our men and women in uniform, particularly those who are young and married. The rates of interest charged for loans to servicemembers is ludicrous and should be stopped or, at least, required to charge an average percentage interest. Current rates are so that servicemembers must keep on paying and paying with little hope of getting ahead of the lending institutions. Other predators are pursuing retirees, veterans, and social security recipients in an effort to "purchase" their Federal payments. This is against the law but apparently is not being enforced.

FRA recommends that this subcommittee support the adoption of an anti-predatory lending act and an amendment to current law preventing the "purchasing" or "selling" of Federal payments made to military retirees, veterans, and social security recipients.

CONCLUSION

FRA is grateful for the opportunity to present its goals for fiscal year 2006. If there are questions or a need for further information, please call Matt Schafer, FRA Acting Director of Legislative Programs, at 703–683–1400.

Mr. STROBRIDGE. Ms. Raezer, Ms. Holleman, and I are here representing different organizations, but we all work very closely together, and we share common goals on the vast majority of issues. So to save repetitive testimony, what we would like to do is focus our remarks on different subject areas, with the understanding that each of us supports the other's remarks.

For my part, I will highlight coalition priorities on Active-Duty, Guard, Reserve, and health care issues.

First, we are grateful to the subcommittee for your continued emphasis on restoring military pay comparability with the private sector. We certainly support the proposed 3.1 percent pay raise and the bonus flexibilities that DOD and the Services were requesting, but we also believe that additional targeted raises are needed for senior enlisted members and warrant officers to reflect the salaries for similarly educated and experienced people in the private sector.

Second, we continue to believe that the force is too small for its long-term operational missions. We certainly hope the subcommittee will provide substantial and permanent end strength increases, particularly for the Army and the Marine Corps, to ease operational stresses and protect against retention and readiness shortfalls. We recognize that that poses a recruiting challenge, but to us, we need to devote whatever resources it takes to do that to be able to defend the country.

One no-cost benefit that we ask the subcommittee to pursue is to provide military members the same health premium conversion and flexible spending account benefits that all other Federal civilians already enjoy. These programs would save many servicemembers thousands of dollars a year by letting them pay child care and health care expenses with pre-tax dollars, and it would save DOD money as well by reducing its payroll tax liability. It does not make sense to us that military members are denied savings options that all other Federal workers have.

Next, the coalition believes we must protect wounded servicemembers' income by continuing hostile fire and hazard pays during periods of hospitalization and rehabilitation. Troops who get paid for just incurring the risk should not lose their pay for actually incurring the combat wounds.

Mr. Chairman, we are particularly grateful for your personal efforts to secure health coverage for the selected Reserve. The first fruits of that labor will be recognized later this month, but we believe more remains to be done. Many remain without health coverage, and coverage is only temporary for those people who do sign up. We expect many will be reluctant to enroll their families in a program for which their eligibility will expire in only a couple of years. We had that very experience with a Federal Employees Health Benefits Plan (FEHBP) test program several years ago that the subcommittee authorized.

The requirement to enroll before leaving Active-Duty also will inhibit informed consultation with the family members most affected by this decision. We share your belief that all Selected Reserve members deserve permanent coverage. We believe they also deserve the option to have the Government pay the premiums or, at least, a share of the premiums for their civilian coverage when they are mobilized, just as the DOD already does for its own civilian employees.

On the issue of Reserve retirement, the coalition believes some adjustment is necessary to recognize the dramatically increased military service demands on this group. They are now being told to expect extended mobilizations every 6 years, and that could take 25 percent of their working life as long as they are in the Reserves. That is going to dramatically reduce their expected civilian retirement benefits, 401(k) contributions, and so forth, and we believe it is appropriate to help offset that with an adjustment to the Reserve retirement age.

The coalition also recommends as a matter of equity that members who are activated for more than 30 days should be entitled to full military pay, including locality-based housing allowances.

On the defense health program, the coalition remains concerned about seemingly annual funding shortfalls that cause cutbacks in beneficiary sensitive areas like pharmacy formularies. We remain troubled by the lack of seamless transition between DOD and VA health care programs for the returning wounded. Despite years of effort, we still do not have a transferrable electronic medical record or an electronic DD Form 214. Despite the subcommittee's guidance, there is uneven implementation of the single discharge physical, a particular problem at major facilities like Walter Reed and Bethesda. We believe an extraordinary Manhattan Project kind of

effort is required to ensure the kind of leadership focus, priority, continuity, and effective delivery that our veterans need.

Finally, we urge the subcommittee's continuing focus on ensuring timely access to quality health care for TRICARE standard beneficiaries, as well as prime enrollees. The DOD has gathered initial survey data on provider availability as the subcommittee directed, but it has yet to establish what constitutes inadequate availability or what corrective actions are required for localities that fall below that standard. We ask your support in requiring development of such standards and ensuring the survey data is used to improve beneficiary access.

Mr. Chairman, that concludes my portion of the testimony, and Ms. Raezer will now address quality of life concerns.

[The prepared statement of Mr. Strobridge follows:]

PREPARED STATEMENT BY STEVEN P. STROBRIDGE

Mr. Chairman and distinguished members of the subcommittee. On behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the subcommittee for this opportunity to express our views concerning issues affecting the uniformed services community. This testimony provides the collective views of the following military and veterans' organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- American Logistics Association
- AMVETS (American Veterans)
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Association for Uniformed Services
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Noncommissioned Officers Association
- Reserve Officers Association
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars of the United States
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the Federal Government.

EXECUTIVE SUMMARY—RECOMMENDATIONS OF THE MILITARY COALITION

Active Force Issues

Personnel Strengths and Operations Tempo

The Military Coalition continues to strongly recommend increased Service end strengths to sustain the long-term global war on terrorism and fulfillment of national military strategy. The Coalition supports increases in recruiting resources as necessary to meet this requirement. The Coalition urges the subcommittee to consider all possible manpower options to ease operational stresses on Active, Guard, and Reserve personnel.

Pay Raise Comparability and Pay Table Reform

The Military Coalition urges the subcommittee to restore full pay comparability as soon as possible and to reject any request from the administration to cap pay raises or provide smaller increases to servicemembers in any of the uniformed services, including the U.S. Public Health Service or National Oceanic and Atmospheric Administration. The Coalition believes all members of the uniformed services need and deserve annual raises at least equal to private sector wage growth. The Coalition supports "targeted" raises to align the pay of career servicemembers with earnings in the private sector for civilians with comparable experience and education. However, to the extent that "targeted" raises are needed, the Department of Defense (DOD) should define the ultimate objective pay table toward which these targeted raises are aimed.

Combat and Incentive Pays during Hospitalization

The Military Coalition strongly urges the subcommittee to take action to ensure combat-wounded servicemembers do not have their compensation reduced during periods of hospitalization and rehabilitation. The Coalition believes that such compensation treatment is essential for servicemembers who continue to suffer from the injuries sustained through combat and other hazardous duty, which these compensation incentives were created to recognize.

Pre-tax Treatment for Health and Child Care Expenses

The Military Coalition urges the subcommittee to direct the Department of Defense to implement for military members the same health premium conversion and flexible spending account plans that all other government employees already can use to reduce their out-of-pocket expenses for health care and dependent care. The Coalition's research indicates this can be done within the subcommittee's purview without any necessity to change tax laws.

Commissaries

The Military Coalition opposes initiatives that would reduce benefits or savings for members and strongly supports full funding of the commissary benefit to sustain the current level of service for all beneficiaries including retirees, Guard and Reserve personnel, and their families.

Family Readiness and Support

The Military Coalition recommends a family support structure, with improved education and outreach programs and increased childcare availability, to ensure a high level of family readiness to meet the requirements of increased force deployments for active, National Guard and Reserve members.

GI Bill Incentives for the 21st Century Force. Montgomery GI Bill (MGIB) education benefits need to be upgraded to support Active and Reserve Forces recruitment programs, allow equitable benefit usage on Active-Duty, restore proportional benefits for Guard and Reserve initial entrants, allow career servicemembers who declined 'VEAP' a MGIB enrollment opportunity, and other initiatives.

Basic Allowance for Housing (BAH)

The Military Coalition urges an adjustment to grade-based housing standards to more accurately reflect enlisted members' realistic housing options and members' out-of-pocket housing expenses.

Permanent Change of Station (PCS)

The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances including expedited implementation of the Families First Program, modifying personal property weight allowances for senior enlisted grades (E–7, E–8, and E–9), and authorizing shipment of a second POV at government expense to Alaska, Hawaii and other overseas accompanied assignments.

National Guard and Reserve Issues

Stress on Guard and Reserve Forces

The Military Coalition urges additional resources for Reserve recruitment, retention, and family support to relieve enormous pressure on overstressed Guard and Reserve Forces.

Healthcare for Members of the National Guard and Reserve

The Military Coalition urges permanent authority for cost-share access to TRICARE for all members of the Selected Reserve—those who train regularly—and their families in order to ensure medical readiness and provide continuity of health insurance coverage. As an option for these servicemembers, the Coalition urges authorizing the government to pay part or all of private health insurance premiums when activation occurs, a program already in effect for reservists who work for the Department of Defense.

Review and upgrade the Reserve Compensation System to Match the New "Contract"

Develop and implement improvements to Reserve compensation. Restore the Selected Reserve Montgomery GI Bill (SR–MGIB) to 50 percent parity with the Active-Duty MGIB; authorize retirement credit for all earned drill points; increase Reserve bonuses, special and incentive pays; simplify the Reserve duty system without compromising the current or future value of Reserve compensation; eliminate BAH II; and award full veteran status to Guard and Reserve servicemembers who successfully complete 20 qualifying years of Reserve service, but do not otherwise qualify as veterans under Title 38.

Guard/Reserve Retirement Upgrade

The Military Coalition urges lowering the Reserve retirement age from 60 to 55 as an option to partially offset loss of civilian retirement benefits resulting from greatly increased military service requirements.

Guard/Reserve Family Support Programs

The Military Coalition urges support and funding for a core set of family support programs and benefits that meet the unique needs of geographically dispersed Guard and Reserve families who do not have ready access to military installations or current experience with military life. Programs should promote better communication and enhance education for Reserve component family members about their rights and benefits and available services.

Financial Relief for Activated Reservists and Their Employers

The Military Coalition urges enactment of legislation to relieve financial strains on Guard and Reserve members and to recognize their employers in a tangible way: tax credits for employers who pay wage differentials to activated employees, similar tax credits for hiring temporary workers, and authority for penalty free withdrawals and reinvestment into civilian retirement plans due to economic pressures associated with mobilization.

Survivor Program Issues

SBP–DIC Offset

The Military Coalition strongly recommends that the current dollar-for-dollar offset of Survivor Benefit Plan (SBP) benefits by the amount of Dependency and Indemnity Compensation (DIC) be eliminated. Indemnity payments when the service causes death should be added to—not substituted for—retiree-purchased SBP. Active-Duty spouses, many of whom have their entire SBP offset by DIC, deserve more than a $993 monthly annuity, considering police and firefighter survivors often receive 100 percent of pay as an annuity in addition to substantial lump-sum payments.

30-Year Paid-Up SBP

The Military Coalition strongly recommends acceleration of the October 1, 2008, implementation date for 30-year paid-up SBP coverage to October 1, 2005. A 1972 retiree has already paid almost 20 percent more premiums than a 1978 retiree will ever pay. By 2008, they will have paid a 34 percent "Greatest Generation" tax.

Death Benefits Enhancement

The Military Coalition urges the subcommittee to raise SGLI to $500,000, with the first $100,000 provided at no cost to the servicemember, and to increase the military death gratuity to $100,000. The Coalition believes this coverage should be

extended to all deaths since Oct. 7, 2001 that were in the line of duty, and not just deaths caused by combat or other narrowly defined determinations.

Final Retired Paycheck

The Military Coalition strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.

Retirement Issues

Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation

The Military Coalition greatly appreciates Congress' action to date, but urges subcommittee leaders and members to be sensitive to the thousands of disabled retirees who are not yet included in concurrent receipt legislation enacted over the past several years. Specifically, as a priority, the Coalition urges the subcommittee to expand combat-related special compensation to disabled retirees who were not allowed to serve 20 years solely because of combat-related disabilities and ensure full, immediate compensation for otherwise qualifying members rated as "unemployable." The Coalition strongly urges the subcommittee to ensure the upcoming Veterans' Disability Benefits Commission protects the principles guiding the DOD disability retirement program and Department of Veterans' Affairs (VA) disability compensation system.

Former Spouse Issues

The Military Coalition recommends corrective legislation, including the recommendations made by the DOD in their 2001 Uniformed Services Former Spouse Protection Action (USFSPA) report, be enacted to eliminate inequities in the administration of the USFSPA.

Pre-Tax Premium Conversion Option

The Coalition urges the subcommittee to support S. 484 and to seek Finance Committee support to provide all Federal and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the Active-Duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.

Health Care Issues

Defense Health Program Funding

The Military Coalition strongly recommends the subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, including military medical readiness, needed TRICARE Standard improvements, and the DOD peacetime health care mission. It is critical that the Defense Health Budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

Medical Manpower Transformation

The Military Coalition urges the subcommittee to provide oversight of the implementation of medical manpower transformation plans on health care delivery to ensure the plan to shift non-operational care to civilian providers does not inadvertently compromise health care delivery/beneficiary access, Graduate Medical Education, medical professional growth and promotion opportunities, or the assignment rotation base.

Assistance for Wounded Combat Veterans and Others Separating from Military Service

The Military Coalition asks the subcommittee to demand a concerted "Manhattan Project" kind of effort to ensure full and timely implementation of seamless transition activities, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessments, implementation of an electronic DD214, additional family and mental health counseling services, and the single physical at time of discharge.

Implementation of TRICARE Reserve Select

The Military Coalition urges the subcommittee to provide oversight of implementation of the TRICARE Reserve Select benefit, to extend eligibility for TRICARE Reserve Select for all Selected Reserve members, to take steps to permit members of the Individual Ready Reserve (IRR) called to Active-Duty for a contingency operation to participate in TRICARE Reserve Select, if they remain in the IRR subject to future recall, to address loss of TRICARE Reserve Select benefits when members

are mobilized during their benefit period and to permit beneficiaries to elect TRICARE Reserve Select coverage during the 180 days of Transitional Assistance Management Program.

TRICARE Standard Improvements

The Military Coalition urges the subcommittee's continued oversight to ensure DOD is held accountable to promptly meet requirements for beneficiary education and support, establish criteria for evaluation of access/provider availability, and follow through with education and recruitment of sufficient providers to solve access problems for standard beneficiaries.

Provider Reimbursement

The Military Coalition requests the subcommittee's support of any means to establish and maintain Medicare and TRICARE provider payment rates sufficient to ensure beneficiary access, and to support measures to address Medicare's flawed provider reimbursement formula.

TRICARE Transition And Implementation Of New Contracts. The Military Coalition recommends that the subcommittee continue to strictly monitor implementation of TRICARE contracts, especially the ability to meet Prime access standards, and ensure that Beneficiary Advisory Groups' inputs are sought in the evaluation process.

Prior Authorization under TNEX

The Military Coalition urges the subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization for Standard beneficiaries and asks the subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.

Uniform Formulary Implementation

The Military Coalition urges the subcommittee to ensure the uniform formulary remains robust, with reasonable medical-necessity rules and increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

Access to TSRx for Nursing Home Beneficiaries

The Military Coalition urges the subcommittee to direct DOD to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries residing in residential facilities that do not participate in the TRICARE network pharmacy program, and who cannot access network pharmacies due to physical or medical constraints.

TRICARE Benefits for Remarried Widows

The Military Coalition urges the subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.

TRICARE Prime Continuity in BRAC Areas

The Military Coalition urges the subcommittee to amend title 10 to require continuation of TRICARE Prime network coverage for uniformed services beneficiaries residing in Base Realignment and Closure (BRAC) areas.

OVERVIEW

Mr. Chairman, The Military Coalition (TMC) thanks you and the entire subcommittee for your continued, unwavering support for the fair treatment of Active-Duty, Guard, Reserve and retired members of the uniformed services, and their families and survivors. The subcommittee's work to greatly improve military pay, eliminate out-of-pocket housing expenses, improve health care, and enhance other personnel programs has made a significant difference in the lives of Active, Guard, and Reserve personnel and their families. This is especially true for our deployed servicemembers and their families and survivors who are engaged throughout this world in the global war on terror.

The subcommittee's work to enact provisions eliminating the military survivor benefit plan "widows tax" over the next 3 years will provide significantly improved survivor benefits for current and future beneficiaries, including survivors of servicemembers fighting today in Operations Iraqi and Enduring Freedom (OIF/OEF). These and the many other important provisions of the National Defense Authorization Act for Fiscal Year 2005 will enhance the quality of life of our servicemembers, retirees, and their families and survivors in the years ahead.

Congress has made military compensation equity a top priority, and much has been accomplished over the past several years to improve the lives of men and women in uniform and their families. But we hear recommendations periodically from some in the administration to return to the failed policies of the past by capping future military pay raises below private sector wage growth. Shortchanging compensation for military personnel has exacted severe personnel readiness problems more than once in the last 25 years, and the Coalition thanks the subcommittee for staying the course to further close the pay comparability gap and for enacting provisions to reestablish the pay comparability principle in permanent law.

Despite these improvements in military compensation, we are deeply troubled by how much harder troops have to work—and their families have to sacrifice—for that compensation.

Today's reality is simple—servicemembers and their families are being asked to endure ever-greater workloads and ever-greater sacrifices. Repeated deployments, often near back-to-back, have stressed the force to the point where recruiting and retention are real concerns for some Services; and, if it weren't for the Services' stop-loss policies and massive recalls of Guard and Reserve members, readiness would suffer. The subcommittee's work to increase Army and Marine Corps end strength sends a clear signal that our forces are stretched too thin, but even with these increases, the hard fact is that we don't have large enough forces to carry out today's missions and still be prepared for any new contingencies that may arise elsewhere in the world. In addition, the Coalition is concerned that the Navy and Air Force are in the midst of "transformation" initiatives that include reducing their respective end strengths despite continuing demanding operational commitments.

In testimony today, The Military Coalition offers its collective recommendations on what needs to be done to address these important issues and sustain long-term personnel readiness.

BUDGET OVERVIEW

The Military Coalition is concerned that some in the executive branch are now bemoaning Congress' efforts in recent years to reverse military pay shortfalls and correct compensation and benefit inequities affecting retired military members, military survivors and Guard and Reserve members, contending that the cost those initiatives impinges on current defense budget needs, including the ability to support compensation initiatives for the current force.

The Coalition objects strongly to any such efforts to pit one segment of the military community against another. Our experience has been that this subcommittee has rarely, if ever, turned down Defense Department requests for current force funding needs. Congress also has had greater sensitivity than the executive branch—regardless of the political party of the administration—to the importance of career military benefits to long-term retention and readiness.

Those who complain today about the cost of restoring military pay comparability, repealing REDUX retirement penalties, and enacting TRICARE For Life apparently do not recall that the Joint Chiefs of Staff at the time all told Congress that fixes were needed in these areas in order to address the significant retention problems experienced in the late 1990s.

The Coalition is amazed to see some in the Defense Department now contending that repairing retiree and survivor benefits doesn't help retention, and that if we just give today's soldier a lump sum of cash for a pickup truck, that soldier won't care about future retirement benefits. To this way of thinking, anyone who is not currently on Active-Duty provides no return on investment—which prompts opposition to such congressional initiatives as concurrent receipt, health coverage for the Selected Reserve, and elimination of the Survivor Benefit Plan "military widows tax." It's precisely this kind of short-term budget thinking that led to the retention crises of the late 1970s and late 1990s.

Congress has been wise enough to see what executive branch officials of both parties have not over the past 10 years—that it is not enough to just meet the short term desires of the 19 year old new enlistee with more cash in hand. Those members get older and have families, and their families grow much more concerned at the second and third reenlistment points, often after multiple family separations, whether the long-term benefits of a military career offset the extraordinary and persistent demands and sacrifices inherent in serving 20 to 30 years in uniform.

The Military Coalition believes this subcommittee will see past penny-wise and pound-foolish efforts to rob one element of the military community to pay another, and will continue to recognize the hard-learned lessons of the past—that successfully sustaining readiness and retention over the long term requires fair treatment

for military members and families at every stage: Active-Duty, Guard and Reserve, retired, and survivors.

If the administration is concerned about budget shortfalls or trade-offs in any area, the Coalition strongly believes that any such trade-offs reflect the administration's own choices. They are not the fault of the retirees, survivors, or Guard and Reserve members who needed and deserved compensation corrections, and they are not the fault of Congress that rightly enacted those corrections. If the Department will only lay out the current defense requirements that need to be met, the Coalition believes firmly that the subcommittee and Congress will find an appropriate way to meet those needs.

ACTIVE FORCE ISSUES

Since the end of the Cold War, the size of the force and real defense spending have been cut by more than a third. In fact, the defense budget today is 3.8 percent of this Nation's Gross Domestic Product—less than half of the share it comprised in 1986. But today America's Armed Forces are engaged in a global war on terrorism—a campaign that has made constant and repeated deployments a way of life for today's servicemembers. There is no question that the stress of today's sustained operations is taking a significant toll on our men and women in uniform, and their families and survivors, and this is being reflected in failure of the Army Guard and Reserve to meet its recent recruiting goals. In addition, there are indicators of growing challenges in recruiting members of the other Services.

The subcommittee has taken action to help relieve the stress of repeated deployments by increasing Army and Marine Corps end strength and by making permanent family separation and danger area pays. These are notable and commendable improvements; however, sustaining a quality force for the long-term, remains a significant challenge, especially in technical specialties. While some Services are meeting retention goals, these goals may be skewed by post-September 11 patriotism and by Services' intermittent stop-loss policies. This artificial retention bubble is not sustainable for the long-term under the current pace of operations, despite the reluctance of some to see anything other than rosy scenarios.

From the servicemembers' standpoint, the increased personnel tempo necessary to meet continued and sustained training and operational requirements has meant having to work progressively longer and harder every year. "Time away from home" is now a real focal point in the retention equation. Servicemembers are enduring longer duty days; increased family separations; difficulties in accessing affordable, quality health care; deteriorating military housing; less opportunity to use education benefits; and significant out-of-pocket expenses with each permanent change of station move.

Intensified and sustained operations in Iraq and Afghanistan are being met by servicemembers' patriotic dedication, but there is little question that once Service stop-loss policies are lifted, the retention of combat-experienced servicemembers is going to be problematic.

Experienced (and predominantly married) officers, noncommissioned officers (NCOs) and petty officers are under pressure to make long-term career decisions against a backdrop of a demand for their skills and services in the private sector. Many servicemembers and their families debate among themselves whether the rewards of a service career are sufficient to offset the attendant demands and sacrifices inherent in uniformed service. They see their peers going home to their families every night, and when faced with repeated deployments to a combat zone, the appeal of a more stable career and family life, often including an enhanced compensation package with absolutely less demanding working conditions, is attractive. When allowed the option, many of our excellent soldiers, sailors, airmen, and marines will opt for civilian career choices, not because they don't love what they do, but because their families just can no longer take the stress.

On the recruiting front, one only needs to watch prime-time television to see powerful marketing efforts on the part of the Services. But this strong marketing must be backed up by an ability to retain these experienced and talented men and women. This is especially true as the Services become more and more reliant on technically trained personnel. The subcommittee reacted to retention problems by improving military compensation elements, and the Coalition understands that you have a continuing agenda in place to address these very important problems. But we also understand the pressures to reduce spending and the challenges associated with proposed defense budget increases. The truth remains that the finest weapon systems in the world are of little use if the Services don't have enough high quality, well-trained people to operate, maintain and support them.

The subcommittee's key challenge will be to ease servicemembers' debilitating workload stress and continue to build on the foundation of trust that you have established over the past 4 years—a trust that is being strained by years of disproportional sacrifice. Meeting this challenge will require a reasonable commitment of resources on several fronts.

Personnel Strengths and Operations Tempo

The Coalition has noted with disappointment the Department of Defense's resistance to accept Congress' repeated offers to permanently increase Service end strength to relieve the stress on today's Armed Forces, which are clearly sustaining a wearing operations tempo fighting today's global war on terrorism. While we are encouraged by the subcommittee's work to increase Army and Marine Corps end strength, we are deeply concerned that administration-proposed plans for temporary manpower increases rely too heavily on continuation of stop-loss policies, unrealistic retention assumptions, overuse of the Guard and Reserves, optimistic scenarios in Southwest Asia, and the absence of new contingency needs.

The Department has responded to your offers to increase end strength with a continuing intention to transform forces, placing non-mission essential resources in core warfighting skills, and transferring certain functions to civilians. While the Department's transformation vision is an understandable and necessary plan, its implementation will take a long time—time that is taking its toll after years of extraordinary operational tempo that is exhausting our downsized forces.

The Joint Chiefs testified that their forces were stressed before September 11, and end strength should have been increased then. Now, almost 4 years later, heavily engaged in two major operations with no end in sight, massive Guard and Reserve mobilizations, and broad implementation of "stop-loss" policies, action to provide substantial relief is late and short of the need. Especially noteworthy is a recent memorandum detailing serious Army Reserve readiness concerns referencing the Reserves as "rapidly degenerating into a broken force."

Administration and military leaders warn of a long-term mission against terrorism that requires sustained, large deployments to Central Asia and elsewhere. The Services simply do not have sufficient numbers to sustain the global war on terrorism, deployments, training exercises and other commitments, even with the recall of large numbers of Guard and Reserve personnel. Service leaders have tried to alleviate the situation by reorganizing deployable units, authorizing "family down time" following redeployment, or other laudable initiatives, but such things do little to eliminate long-term workload or training backlogs, and pale in the face of ever-increasing mission requirements. For too many years, there has always been another major contingency coming, on top of all the existing ones. If the administration does not recognize when extra missions exceed the capacity to perform them, Congress must assume that obligation.

Earlier force reductions went too far, and end strengths should have been increased several years ago to sustain today's pace of operations. Deferral of additional meaningful action to address this problem cannot continue without risking serious consequences. The Military Coalition's concerns in this regard are not limited to the Army and Marine Corps. For example, a recent DOD report from the Office of the Inspector General (D–2005–024) on "Management of Navy Senior Enlisted Personnel Assignments in Support of Operation Iraqi Freedom" states that despite meeting Navy-required readiness levels, senior enlisted manning levels are not measured when assessing a unit's readiness level, and that visits to 14 units found that four units deployed with less than 80 percent of their senior enlisted warfighting positions filled. The Services' senior enlisted community is the backbone of the Navy and according to the report, "personnel in those units were exposed to a higher level of risk for mishap or injury during their deployment." The Coalition is concerned that planned strength reductions can only exacerbate this problem.

This is the most difficult piece of the readiness equation, and perhaps the most important under current conditions. Pay and allowance raises are essential to reduce other significant career irritants, but they can't fix fatigue and lengthy, frequent family separations.

Some argue that increasing end strengths wouldn't help the situation, questioning whether the Services will be able to meet higher recruiting goals. The Coalition believes strongly that this difficult problem can and must be addressed as an urgent national priority, with increases in recruiting budgets as necessary.

Others point to high reenlistment rates in deployed units in certain Services as evidence that high operations tempo actually improves morale. But much of the reenlistment rate anomaly is attributable to tax incentives that encourage members to accelerate or defer reenlistment to ensure this occurs in a combat zone, so that any reenlistment bonus will be tax-free. Retention statistics are also skewed by

stop-loss policies. Over the long run, experience has shown that time and again that family separation is the single greatest retention disincentive. The Military Coalition believes that those who ignore this and argue there is no retention problem are "whistling past the graveyard."

The Military Coalition strongly recommends additional permanent end strength increases to sustain the long-term global war on terrorism and fulfill national military strategy. The Coalition supports increases in recruiting resources as necessary to meet this requirement. The Coalition urges the subcommittee to consider all possible manpower options to ease operational stresses on Active, Guard, and Reserve personnel.

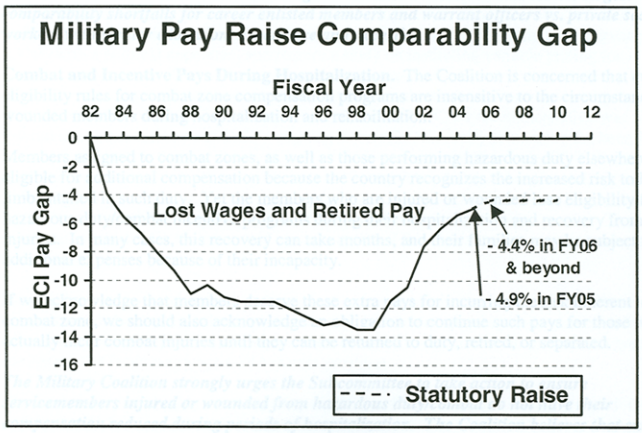
Pay Raise Comparability

The Military Coalition appreciates the subcommittee's leadership during the last 7 years in reversing previous practice of capping servicemembers' annual pay raises below the average American's. In servicemembers' eyes, those previous pay raise caps provided regular negative feedback about the relative value the Nation placed on retaining their services.

Unfortunately, this failed practice of capping military raises to pay for budget shortfalls may yet rear its head again when those within the administration look for ways to trim the budget. In the past, the Office of Management and Budget (OMB) advocated capping future military pay raises at the level of inflation, rather than keeping military pay on par with private sector wage growth. The measure of merit with pay raises is not inflation—it's the draw from the private sector, and pay comparability with private sector wage growth is a fundamental underpinning of the All-Volunteer Force, and it cannot be dismissed without dire consequences for national defense.

When the pay raise comparability gap reached 13.5 percent in 1999—resulting in predictable readiness crises—this subcommittee took responsible action to change the law. Thanks in large part to your efforts and the belated recognition of the problem by the executive branch, the gap has been reduced to 4.9 percent in 2005.

While it would take another 10 years to restore full comparability at the current pace, we sincerely appreciate this subcommittee's decision to change the prior law that would have resumed capping pay raises at below private sector growth and enacting a new law requiring all raises, beginning in fiscal year 2007, to at least equal private sector wage growth as measured by the Bureau of Labor Statistics Employment Cost Index (ECI).



The Military Coalition urges the subcommittee to restore full pay comparability on the quickest possible schedule, and to reject any request from the administration to cap future pay raises for any segment of the uniformed services population.

Pay Table Reform

The subcommittee also has supported previous DOD plans to fix problems within the basic pay table by authorizing special "targeted" adjustments for specific grade and longevity combinations in order to align career servicemembers' pay with private sector earnings of civilians with similar education and experience.

DOD had planned to continue targeted raises, but last year, the OMB denied a $300 million request from DOD to continue targeted raises for career servicemembers—a decision that deeply disappointed the Coalition. The administration has requested another across the board pay increase for 2006 rather than additional targeted raises for senior enlisted and certain officer grades. We strongly urge this subcommittee to authorize continued targeting of additional increases for career servicemembers to correct shortcomings in their pay tables.

However, the Coalition urges the committee to direct DOD to identify the ultimate "objective pay table" that would actually achieve in 2006 the Department's purported goal of establishing military pay at the 70th percentile of privates sector pay for similarly experienced and educated private sector workers.

> *The Military Coalition believes all members need and deserve at least a 3.1-percent raise in 2006 to continue progress toward eliminating the existing pay raise comparability shortfall. The Coalition also believes additional targeted raises are needed to address the largest comparability shortfalls for career enlisted members and warrant officers vs. private sector workers with similar education, experience and expertise.*

Combat and Incentive Pays During Hospitalization

The Coalition is concerned that current eligibility rules for combat zone compensation programs are insensitive to the circumstances of wounded members during hospitalization and rehabilitation.

Members assigned to combat zones, as well as those performing hazardous duty elsewhere, are eligible for additional compensation because the country recognizes the increased risk to life and limb entailed in such duty. Yet the members who are injured or wounded lose eligibility for hazardous duty/combat incentive programs during their hospitalization and recovery from their injuries. In many cases, this recovery can take months, and their families may be subject to additional expenses because of their incapacity.

If we acknowledge that members deserve these extra pays for incurring the risk inherent in a combat zone, we should also acknowledge an obligation to continue such pays for those who actually incur combat injuries until they can be returned to duty, retired, or separated.

> *The Military Coalition strongly urges the subcommittee to take action to ensure servicemembers injured or wounded from hazardous duty/combat do not have their compensation reduced during periods of hospitalization. The Coalition believes that such compensation treatment is essential for servicemembers who continue to suffer from the wounds and injuries these incentive programs were created to recognize.*

Pre-tax Treatment for Child/Health Care Expenses

The Military Coalition is perplexed that military members are not provided one key benefit that is common in the private sector and virtually universal among all large civilian employers—premium conversion and flexible spending account plans that allow payment of health and child care expenses on a pre-tax basis.

Military members—and especially in cases where both spouses are military members—have child-care needs that are driven by national defense requirements. If Federal civilian employees and most private sector employees are eligible for tax exemption for their child-care expenses, it's extremely inequitable that military members are denied comparable treatment.

These programs save many other government and corporate employees thousands of dollars a year, and uniformed servicemembers certainly have no less need for them.

The Coalition's research indicates this could be implemented by policy if the administration chose, or otherwise by statutory direction that would not require changing the tax code.

> *The Military Coalition urges the subcommittee to direct the Department of Defense to implement premium conversion and flexible spending accounts for pre-tax payment of child and health care expenses.*

Commissaries

The Coalition is committed to preserving the value of the commissary benefit—which is widely recognized as the cornerstone of quality of life benefits and a valued part of servicemembers' total compensation package.

Recent DOD initiatives included proposals to close a number of commissaries, replace the traditional three-star officer serving as chairman of the Commissary Operating Board (COB) with a political appointee, and require a study on instituting variable pricing for commissary products. Two of these proposals were apparently intended to save money by ultimately reducing the annual appropriation supporting the Defense Commissary Agency (DeCA), which operates 272 commissaries worldwide. The COB recommendation was also viewed as another indicator of DOD's ongoing interest in eventually privatizing the benefit. Subsequently, only a few previously approved closings were completed, the COB chairmanship was retained by a senior uniformed officer, and the variable pricing concept was dropped following a costly study. In addition, Congress enacted new legislation strengthening statutory protections for, and defining the purpose of the commissary and exchange systems. The Coalition is grateful for the continued strong support of this subcommittee in preserving this top rated benefit.

The Coalition supports cost savings through effective oversight and management. However, we are concerned about the unrelenting pressure on DeCA to cut spending and squeeze additional efficiencies from its operations—despite years of effective reform initiatives and recognition of the agency for instituting improved business practices.

The commissary is a highly valued quality of life benefit not quantifiable solely on a dollars appropriated basis.

> *The Military Coalition opposes initiatives that would reduce benefits or savings for members, and strongly supports full funding of the benefit in fiscal year 2006 and beyond to sustain the current level of service for all patrons, including retirees, Guard and Reserve personnel, and their families.*

Family Readiness and Support

Today, two-thirds of Active-Duty families and virtually all Guard and Reserve families live off military installations, and approximately 60 percent of these servicemembers are married. A fully funded family readiness program to include financial education and benefit information has never been a more crucial component to the military mission and overall readiness than it is today.

More needs to be done to "connect" servicemembers and their families with important resources. A more aggressive outreach effort is needed to educate servicemembers and their families on the benefits and programs to which they are entitled. A systematic and integrated family support system will help families cope with the stresses of deployment and the demands of military life. Addressing such issues as childcare, spousal employment/education, flexible spending accounts, increases in SGLI, and other quality of life concerns will go a long way in enhancing family well-being and improving retention and morale of the force.

> *The Military Coalition urges improved family readiness through further education and outreach programs and increased childcare availability for servicemembers and their families and associated support structure to assist families left behind during deployments of Active-Duty, Guard, and Reserve members.*

GI Bill Incentives for the 21st Century Force

Military transformation and rising pressures on the "total force" point to the need to restructure the Montgomery GI Bill educational benefits program for the 21st century. Congress intended the modern MGIB program to support military recruitment as well as transition. To meet rising pressures on Active and Reserve Force recruitment, especially among our ground forces, the Coalition recommends the Armed Services Committees actively work with the Veterans Affairs Committees to improve the MGIB as a recruiting tool. The Coalition notes with appreciation that in recent years Congress enacted increases to MGIB benefits for Active-Duty recruits and authorized full access to these benefits during Active-Duty. However, the "laptop generation" of Active-Duty troops gets reduced MGIB benefits compared to veterans, if they use them on Active-Duty. Fixing this could stimulate retention. Moreover, MGIB benefits—presently $1004 per month for full-time study—don't pay for the actual cost of education at a 4-year public college or university. In addition, approximately 63,000 career servicemembers who entered service during the "VEAP" era but declined to enroll in that program have been denied a MGIB enrollment opportunity. The Coalition continues to support transferability of MGIB bene-

fits to family members for long-serving members who agree to complete a military career.

The Military Coalition also believes it's time to reopen debate on the need to dock volunteer force recruits $1,200 of their first year's pay for the privilege of serving their country on Active-Duty. Government college loan programs have no upfront payments; thus, it is difficult to accept any rationale for our Nation's defenders to give up a substantial portion of their first year's pay for MGIB eligibility.

The Coalition is also grateful to Congress for a "down payment" on MGIB upgrades for mobilized troops, who now can earn additional MGIB entitlement for 90 days or more Active-Duty served in a contingency operation. This significant step forward needs to be followed up with other Reserve MGIB improvements. Given the erratic and often dysfunctional call up practices of 2002–2003, many Guard and Reserve troops who have now acquired up to 2 years Active-Duty are not eligible for Active-Duty MGIB benefits due to breaks in service. Aggregate Active-Duty served since September 11 should be authorized for a proportional MGIB entitlement. For Guard and Reserve initial volunteers who enlisted for the Reserve MGIB (chapter 1606, title 10), those benefits have slipped to about 28 percent parity with the Active-Duty program. The benchmark for the Reserve MGIB at its inception and for the first 14 years of its existence was nearly 50 percent parity with the Active-Duty MGIB (chapter 30, title 38). With worsening Guard and Reserve recruitment, the Coalition believes that Congress needs to restore Reserve MGIB program parity.

The Military Coalition recognizes that primary jurisdiction for Active-Duty MGIB program is under the Veterans Affairs Committee, whereas as the Reserve MGIB remains a Title 10 program. The Military Coalition urges that the MGIB be restructured and improved along the lines described above so that it can be restored as a powerful recruitment and retention tool for the Active and Reserve Forces.

Basic Allowance for Housing

The Military Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel, for example, are unaware of the standards for their respective pay grade and assume that their BAH level is determined by a higher standard than they may in reality be entitled to. This causes confusion about the mismatch between the amount of BAH they receive and the actual cost of their type of housing. As an example, enlisted members are not authorized to receive BAH for a 3-bedroom single-family detached house until achieving the rank of E–9—which represents only 1 percent of the enlisted force—yet many personnel in more junior pay grades do in fact reside in detached homes. The Coalition believes that as a minimum, this BAH standard (single family detached house) should be extended gradually to qualifying servicemembers beginning in grade E–8 and subsequently to grade E–7 and below over several years as resources allow.

The Coalition is most grateful to the subcommittee for acting in 1999 to reduce out-of-pocket housing expenses for servicemembers over several years. Responding to the subcommittee's leadership on this issue, the DOD proposed a similar phased plan to reduce median out-of-pocket expenses to zero by fiscal year 2005. Through the leadership and support of this subcommittee, this plan has been completed. This aggressive action to better realign BAH rates with actual housing costs has had a real impact and provided immediate relief to many servicemembers and families who were strapped in meeting rising housing and utility costs.

We applaud the subcommittee's action to deliver on this commitment. Unfortunately, housing and utility costs continue to rise, and the pay comparability gap, while diminished over recent years thanks to the subcommittee's leadership, continues. Members residing off base face higher housing expenses along with significant transportation costs, and relief is especially important for junior enlisted personnel living off base who do not qualify for other supplemental assistance.

The Military Coalition urges the subcommittee to direct gradual adjustments in grade-based housing standards to more accurately reflect members' actual out-of-pocket housing expenses.

Permanent Change of Station (PCS) Reimbursements

The Military Coalition is most appreciative of the significant increases in the Temporary Lodging Expense (TLE) allowance authorized for fiscal year 2002 and the authority to raise PCS per diem expenses to match those for Federal civilian employees in fiscal year 2003. The Coalition also greatly appreciates the provision in the fiscal year 2004 defense bill to provide full replacement value for household goods lost or damaged by private carriers during government directed moves, and

looks forward to the timely implementation of the DOD comprehensive "Families First" plan to improve claims procedures for servicemembers and their families.

These were significant steps to upgrade allowances that had been unchanged over many years. Even with these changes, however, servicemembers continue to incur significant out-of-pocket costs in complying with government-directed relocation orders.

For example, PCS mileage rates have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile—less than half the 2005 temporary duty mileage rate of 40.5 cents per mile for military members and Federal civilians. PCS household goods weight allowances were increased for grades E–1 through E–4, effective January 2003, but weight allowance increases are also needed for servicemembers in grade E–5 and above, and officers as well, to more accurately reflect the normal accumulation of household goods over the course of a career. The Coalition recommends modifying weight allowance tables for personnel in pay grades E–7, E–8 and E–9 to coincide with allowances for officers in grades O–4, O–5, and O–6, respectively. The Military Coalition also supports authorization of a 500-pound professional goods weight allowance for military spouses.

In addition, the overwhelming majority of service families own two privately owned vehicles, driven by the financial need for the spouse to work, or the distance some families must live from an installation and its support services. Authority is needed to ship a second POV at government expense to overseas' accompanied assignments. In many overseas locations, families have difficulty managing without a second family vehicle because family housing is often not co-located with installation support services.

With regard to families making a PCS move, members are authorized time off for housing-hunting trips in advance of PCS relocations, but must make any such trips at personal expense, without any government reimbursement such as Federal civilians receive. Further, Federal and state cooperation is required to provide unemployment compensation equity for military spouses who are forced to leave jobs due to the servicemember's PCS orders. The Coalition also supports authorization of a dislocation allowance to servicemembers making their final "change of station" upon retirement from the uniformed services.

We are sensitive to the subcommittee's efforts to reduce the frequency of PCS moves. But we cannot avoid requiring members to make regular relocations, with all the attendant disruptions in their children's education and their spouse's career progression. The Coalition believes strongly that the Nation that requires them to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.

The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances to recognize that the government, not the servicemember, should be responsible for paying the cost of government-directed relocations.

NATIONAL GUARD AND RESERVE ISSUES

More than 473,000 members of the National Guard and Reserve have been mobilized since September 11, 2001, and many thousands more are in the activation pipeline. Today, they face the same challenges as their Active counterparts, with a deployment pace greater than any time since World War II.

Guard/Reserve operational tempo has placed enormous strains on reservists, their family members and their civilian employers alike. Homeland defense and war on terrorism operations continue to place demands on citizen soldiers that were never anticipated under the Total Force policy. The Coalition understands and fully supports that policy and the prominent role of the Guard and Reserve Forces in the national security equation.

However, many Guard and Reserve members are facing increased financial burdens under the current policy of multiple extended activations over the course of a Reserve career. Some senior Reserve leaders are rightly alarmed over likely manpower losses if action is not taken to relieve pressures on Guard and Reserve troops. The Coalition believes that addressing critical Guard and Reserve pay, bonuses, benefits and entitlements issues—along with Active-Duty manpower increases—are needed to alleviate those pressures and help retain these qualified, trained professionals.

The Coalition greatly appreciates this subcommittee's effort to address the increasing needs of our Nation's National Guard and Reserve Forces. We believe that more work is required to ensure that Guard and Reserve members' and their families' readiness remains a viable part of our National Security Strategy. It is clear that our country needs these valuable members of our national military team.

Healthcare for Members of the National Guard and Reserve. The Military Coalition is very grateful that Congress established the TRICARE Reserve Select health benefit in the National Defense Authorization Act for Fiscal Year 2005. This new authority—along with permanent pre- and post-activation TRICARE coverage—will help address the needs of Guard and Reserve families in the call-up pipeline. However, these authorities do not provide the coverage necessary to address the long-term readiness issues that will continue with the current and future utilization of our Guard and Reserve components.

With the increasing rate of utilization of all areas our Reserve components increasing, we feel that Congress must act to provide increased health care benefits for all our country's guardsmen, reservists, and their families, to guarantee the Nation can continue to call on them. TRICARE officials and DOD never implemented temporary TRICARE provisions, and the fiscal year 2005 provisions leave more questions unanswered.

For example, many members are reluctant to drop their permanent health coverage for a military program that may only offer them coverage for 1 to 4 years. Others will be reluctant to enroll because the new guidelines force them to make a decision before departing Active-Duty—which means many will be unable to conduct face-to-face discussions on this important issue with their spouses, who are the ones most affected by family health care issues.

It is our strong recommendation that we must provide a permanent TRICARE program on a cost-share basis for our members of the Guard and Reserve components who are being mobilized and deployed at increasing rates. Further, coverage should include the Extended Care Health Option (ECHO) for members with disabled children, who are currently excluded by DOD policy.

The Military Coalition recommends permanent authorization of cost-share access to TRICARE for all members of the Selected Reserve and IRR members subject to activation under Presidential call-up authority, to support readiness, family morale, and deployment health preparedness.

Civilian Premium Offset

During mobilization, Reserve families who have employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Guard and Reserve family members are eligible for TRICARE if the member's orders to Active-Duty are for more than 30 days; but many families prefer to preserve the continuity of their own health insurance, rather than switching to a TRICARE provider. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many Guard and Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients.

Recognizing these challenges for its own reservist-employees, the Department of Defense routinely pays the premiums for the Federal Employee Health Benefit Program (FEHBP) when activation occurs. Non-Federal employee and their families deserve equal consideration.

The Military Coalition urges enactment of authority for Federal payment of civilian health care premiums (up to the cost of TRICARE coverage) as an option for mobilized servicemembers.

Dental Coverage

Dental readiness is another key aspect of readiness for Guard and Reserve personnel. Currently, DOD offers a dental program to Selected Reserve members and their families. The program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral surgery services on a cost-share basis, with an annual maximum payment of $1,500 per enrollee per year. However, only 5 percent of eligible members are enrolled.

After September 11, soldiers with repairable dental problems had teeth pulled at mobilization stations in the interests of time instead of having the proper dental care treatment. Congress responded by passing legislation that allows DOD to provide medical and dental screening for Selected Reserve members who are assigned to a unit that has been alerted for mobilization. Unfortunately, waiting for an alert to begin screening is too late. During the initial mobilization for OIF, the average time from alert to mobilization was less than 14 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues despite best service efforts, with many reservists receiving only short notice before mobilizing.

The Military Coalition recommends expansion of the TRICARE Dental Program to Guard and Reserve servicemembers. This would allow all Guard

and Reserve members to maintain dental readiness and alleviate the need for dental care during training or mobilization. Authorization of a premium conversion plan would further incentivize enrollment and readiness by reducing after-tax costs to members.

Reserve Retirement Upgrade

The fundamental assumption for the Reserve retirement system established in 1947 is that a reservist has a primary career in the civilian sector. But it's past time to recognize that greatly increased military service demands over the last dozen years have cost tens of thousands of reservists significantly in terms of their civilian retirement accrual, civilian 401(k) contributions, and civilian job promotions.

DOD routinely relies on the capabilities of the Reserve Forces across the entire spectrum of conflict from homeland security to overseas deployments and ground combat. This reliance is not just a trend—it's a central fixture in the National Security Strategy. DOD, however, has shown little interest adjusting the Reserve compensation package to acknowledge this long-term civilian compensation cost to Guard and Reserve members. Inevitably, civilian career potential and retirement plans will be hurt by frequent and lengthy activations.

The National Guard missed its recruiting goals by more than 10 percent in the last 2 years and is now about 13,000–15,000 short of end strength. All Reserve components except the U.S. Marine Corps missed their recruiting targets in the first quarter of fiscal year 2005 (September to December 2004).

The time has come to recognize the Reserve retirement system must be adjusted to sustain its value as a complement to civilian retirement programs. The future financial penalties of increased military service requirements are clear, and should not be ignored by the government that imposes them. Failing to acknowledge and respond to the changed environment could have far-reaching, catastrophic effects on Reserve participation and career retention.

The Military Coalition urges a reduction in the age when a Guard/Reserve component member is eligible for retired pay to age 55 as an option for those who qualify for a non-regular retirement.

Review and Upgrade the Reserve Compensation System to Match the New "Contract"

The Military Coalition thanks Congress for establishing the Commission on the National Guard and Reserve to develop and recommend improvements to Reserve compensation. The pay and retirement system was developed more than a half century ago at a time when members of the Guard and Reserve components were truly "in Reserve." This is no longer true. Increasing demands on the Guard and Reserve personnel to perform national security missions at home and abroad indicates that the compensation system may need to be modernized to attract and retain those willing to shoulder the additional responsibility this new mobilization reality. The Reserve compensation system (Active-Duty (AD), Active-Duty training (ADT), Inactive Duty training (IDT) pay and allowances, etc.) must adequately reflect the demands of increased Reserve service, without creating disproportional incentives that could undermine Active Force retention.

Needed improvements include:

• *Selected Reserve Montgomery GI Bill Upgrades.* Individuals who first become members of the National Guard or Reserve are eligible for the SR–MGIB. Chapter 1606 of Title 10 governs the program. The problem is that the SR–MGIB program competes with National Guard and Reserve pay accounts for funding. During the first 14 years of the SR–MGIB, benefits maintained 47 percent comparability with the basic MGIB. But, in the last 5 years, the SR–MGIB has slipped to 28 percent of the basic program.

To support Guard and Reserve recruitment, The Military Coalition recommends raising SR–MGIB benefits to 50 percent of the MGIB Active-Duty rate. The Coalition also recommends transfer of the Reserve SR–MGIB authority from Title 10 to Title 38 to permit coordinated benefit management with the Active-Duty MGIB.

• *Retirement Credit for All Earned Drill Points.* The role of the Guard and Reserve has changed significantly under the Total Force Policy. During most of the Cold War era, the maximum number of IDT points that could be credited was 50 per year. The cap has since been raised on three occasions to 60, 75, and most recently, to 90 points. However, the fundamental question is why Guard and Reserve members are not permitted to credit all the IDT they've earned in a given year toward their retirement. Placing a ceiling on the amount of training that may be credited for retirement serves as a disincentive to professional development and takes unfair ad-

vantage of Guard and Reserve servicemembers' commitment to mission readiness.

The Military Coalition recommends lifting the 90-point cap on the number of IDT points earned in a year that may be credited for National Guard and Reserve retirement purposes.

• *Raise Reserve Enlistment Bonuses, Special and Incentive Pays.* Sharp downturns in Reserve recruiting call for increases in Reserve enlistment incentives. In addition, many Guard and Reserve members who receive 1/30th of a month's pay for many special and incentive pays for each day the duty is performed feel cheated. These pays are based upon proficiency, not time. The disparity, even if it is only a perceived disparity, needs to be addressed.

• *Simplify the Reserve Duty System.* Initiatives have been put forward in recent years to simplify the duty status for the Reserve components. One such change would have seriously cut the pay of drilling Guard and Reserve members. Reducing the paychecks of Guard and Reserve members, especially at this time of looming retention and recruiting crises, should be unthinkable.

• *Eliminate Basic Allowance for Housing (BAH) II.* BAH II is paid to Guard and Reserve members in lieu of regular BAH who are on orders of less than 140 days. BAH II is an antiquated standard that no longer bears any relation to real housing expenses and is, on average, far less than the BAH rate for any given locality. There is an exception to this rule that applies, by public law, for those called up for the contingency operation. The Coalition believes strongly that any member activated for 30 days or more should be eligible for locality-based BAH.

• *Award full Veteran Status to Guard/Reserve Members.* Some servicemembers who successfully complete 20 qualifying years of Reserve service, do not otherwise qualify as veterans under title 38. Such members deserve full veteran status.

Guard/Reserve Family Support Programs

The increase in Guard and Reserve operational tempo is taking a toll on the families of these servicemembers. These families are routinely called upon to make more and more sacrifices as OIF and OEF continue. Reserve component families represent communities throughout the Nation; and, most of these communities are not close to military installations. As a result, these families face unique challenges since they do not have access to traditional family support services that are available to Active-Duty members on military installations.

Providing a core set of family programs and benefits that meet the unique needs of these families would go a long way in improving morale and meeting family readiness challenges.

These programs would promote better communication with servicemembers, specialized support for geographically separated Guard and Reserve families, and training (and back-up) for family readiness volunteers. Such access would include:

• Expansion of Web-based programs and employee and family assistance programs like Military OneSource and Guard Family.org;

• Enforcement of command responsibility for ensuring that programs are in place to meet the special information and support needs of Guard/Reserve families;

• Expanded programs between military and community religious leaders to support servicemembers and families during all phases of deployments;

• The availability of robust preventative counseling services for servicemembers and families and training so they know when to seek professional help related to their circumstances;

• Enhanced education for Reserve component family members about their rights and benefits;

• Innovative and effective ways to meet Reserve component community needs for occasional child care, particularly for preventative respite care, volunteering, family readiness group meetings, and drill time; and,

• A joint family readiness program to facilitate understanding and sharing of information between all family members, no matter what the service.

We applaud the support shown to families by DOD and military and civilian community organizations. But with the continued and sustained activation of the Reserve component, a stronger support structure needs to be implemented and sustained

The Military Coalition urges Congress to focus on military family support programs that meet the unique needs of the families of mobilized Guard and Reserve component members.

Financial Relief for Activated Reservists and Their Employers

The Military Coalition has testified that overuse of the Guard and Reserve components will have adverse consequences on the readiness and morale of these forces. The Army Guard and Army Reserve have been experiencing a sharp downturn in recruitment, and the Chief of the Army Reserve has warned that mobilization policies and practices could "break" that force. In this context, the Coalition urges support for financial and tax relief legislation that is under the jurisdiction of non-defense committees.

Dysfunctional call-up policies are taking an enormous toll on Reserve pocketbooks, morale, and employers. The General Accountability Office reported recently that 41 percent of our Guard and Reserve personnel take pay cuts from their civilian jobs when activated. Many employers voluntarily help to ease this burden by making up the pay gap between military and civilian pay. Employers also need additional incentives to fill vacancies left by mobilized reservists with temporary rather than permanent workers.

The Military Coalition supports legislation (e.g., H.R. 1779 in the 108th Congress) to permit penalty-free withdrawals from reservists' civilian retirement plans; allow activated members of the Guard and Reserve to contribute wage gap payments back into their employer-sponsored retirement plans, and grant employers tax credits for wage differential payments, as well as tax credits for hiring temporary workers during the absence of a mobilized worker.

SURVIVOR PROGRAM ISSUES

The Coalition thanks the subcommittee for past support of improvements to the Survivor Benefit Plan (SBP), especially last year's provision in the National Defense Authorization Act for Fiscal Year 2005 that will phase out the SBP age-62 benefit reduction in the next 3 years. This victory for military survivors is a major step forward in addressing longstanding survivor benefits inequities.

But two serious SBP inequities remain to be addressed. The Coalition hopes that this year the subcommittee will be able to support ending the SBP–DIC offset and moving up the effective date for paid-up SBP to October 1, 2005.

SBP–DIC Offset

Congress should repeal the law that reduces military SBP annuities by the amount of any survivor benefits payable from the Veterans' Administration Dependency and Indemnity Compensation (DIC) program.

Under current law, the surviving spouse of a retired member who dies of a service-connected cause is entitled to DIC from the VA. If the military retiree was also enrolled in SBP, the surviving spouse's SBP benefits are reduced by the amount of DIC (currently $993 per month). A pro-rated share of SBP premiums is refunded to the widow upon the member's death in a lump sum, but with no interest. The offset also affects all survivors of members who are killed on Active-Duty. There are approximately 53,000 military widows/widowers affected by the DIC offset.

The Coalition believes SBP and DIC payments are paid for different reasons. SBP is purchased by the retiree and is intended to provide a portion of retired pay to the survivor. DIC is a special indemnity compensation paid to the survivor when a member's service causes his or her premature death. In such cases, the VA indemnity compensation should be added to the SBP the retiree paid for, not substituted for it. It's also noteworthy as a matter of equity that surviving spouses of Federal civilian retirees who are disabled veterans and die of military-service-connected causes can receive DIC without losing any of their purchased Federal civilian SBP benefits.

In the case of members killed on Active-Duty, a surviving spouse with children can avoid the dollar-for-dollar offset only by assigning SBP to the children. But that forces the spouse to give up any SBP claim after the children attain their majority—leaving the spouse with less than a $1,000 monthly annuity from the VA.

The Coalition notes that most large city fire departments continue 100 percent of pay for survivors of firefighters killed in the line of duty, in addition to far larger lump sum payments than military members' survivors receive (see below). Military members whose service costs them their lives deserve fairer compensation for their surviving spouses.

The Military Coalition strongly supported legislation to repeal the SBP–DIC offset introduced by Senator Nelson (D–FL) (S. 185) and Representative Brown, (R–SC), respectively. Enactment is a top Coalition goal for 2005.

The Military Coalition recommends eliminating the DIC offset to Survivor Benefit Plan annuities, recognizing that the two compensations serve different purposes, and one is not a substitute for the other. Many military survivors now receive annuities of less than $12,000 per year, which falls far short of fair compensation for a service-caused death.

30-Year Paid-Up SBP

Congress approved a provision in the National Defense Authorization Act for Fiscal Year 1999 authorizing retired members who had attained age-70 and paid SBP premiums for at least 30 years to enter "paid-up SBP" status, whereby they would stop paying any further premiums while retaining full SBP coverage for their survivors in the event of their death. Because of cost considerations, the effective date of the provision was delayed until October 1, 2008.

As a practical matter, this means that any SBP enrollee who retired on or after October 1, 1978 will enjoy the full benefit of the 30-year paid-up SBP provision. However, members who enrolled in SBP when it first became available in 1972 (and who have already been charged higher premiums than subsequent retirees) will have to continue paying premiums for up to 36 years to secure paid-up coverage.

The Military Coalition is very concerned about the delayed effective date, because the paid-up SBP proposal was initially conceived as a way to grant relief to those who have paid SBP premiums from the beginning. Many of these members entered the program when it was far less advantageous and when premiums represented a significantly higher percentage of retired pay. In partial recognition of this problem, SBP premiums were reduced substantially in 1990, but these older members still paid the higher premiums for up to 18 years. The Coalition believes strongly that their many years of higher payments warrant at least equal treatment under the paid-up SBP option, rather than forcing them to wait 4 more years for relief, or as many retirees believe, waiting for them to die off.

By October 2005, a 1972 retiree will have paid almost 20 percent more SBP premiums than a 1978 retiree will ever have to pay. Without legislative relief, those 1972 enrollees who survive until 2008 will have paid 34 percent more.

The Military Coalition recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2005.

Death Benefits Enhancement

Military insurance and death gratuity fall short of what is needed when measured by private sector standards for employees in hazardous occupations.

Most large employers provide lump-sum death benefits, cost-free to the employee, of two times salary, capped at some limit between $100,000 and $250,000. Police and firefighters killed in the line of duty receive a Federal, cost-free Public Safety Officers Death Benefit of $267,000 in addition to a typical five-figure death gratuity.

In today's commercial life insurance markets, insurance coverage for many mid-career workers typically exceeds $500,000.

The Military Coalition urges the subcommittee to raise SGLI to $400,000, with $100,000 provided at no cost to servicemembers who elect $300,000 coverage, and to increase the military death gratuity to $100,000 for all deaths, with the coverage increases retroactive to cover all deaths since Oct. 7, 2001 that were deemed "in the line of duty."

Final Retired Paycheck

The Military Coalition believes the policy requiring the recovery of a deceased member's final retired paycheck from his or her survivor should be changed to allow the survivor to keep the final month's retired pay payment.

Current regulations led to a practice that requires the survivor to surrender the final month of retired pay, either by returning the outstanding paycheck or having a direct withdrawal recoupment from his or her bank account. The Coalition believes this is an insensitive policy coming at the most difficult time for a deceased member's next of kin. Unlike his or her Active-Duty counterpart, the retiree will receive no death gratuity. Many of the older retirees will not have adequate insurance to provide even a moderate financial cushion for surviving spouses. Very often, the surviving spouse has had to spend the final retirement check/deposit before being notified by the military finance center that it must be returned. Then, to receive the partial month's pay of the deceased retiree up to the date of death, the spouse must file a claim for settlement—an arduous and frustrating task, at best—and wait

for the military's finance center to disburse the payment. Far too often, this strains the surviving spouse's ability to meet the immediate financial obligations commensurate with the death of the average family's "bread winner."

The Military Coalition strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.

RETIREMENT ISSUES

The Military Coalition is grateful to the subcommittee for its historical support of maintaining a strong military retirement system to help offset the extraordinary demands and sacrifices inherent in a career of uniformed service.

Concurrent Receipt of Military Retired Pay and VA Disability Compensation

The Military Coalition applauds the subcommittee for all of the work that resulted in the landmark provisions in the National Defense Authorization Act for Fiscal Year 2004 that expand combat related special compensation to all retirees with combat-related disabilities and authorizes—for the first time ever—concurrent receipt of retired pay and veterans' disability compensation for retirees with disabilities of at least 50 percent. The National Defense Authorization Act for Fiscal Year 2005 provided additional relief to those with 100 percent disabilities by immediately authorizing these retirees full concurrent receipt, effective January 2005. Disabled retirees everywhere are extremely grateful for this subcommittee's action to reverse an unfair practice that has disadvantaged disabled retirees for over a century.

While the concurrent receipt provisions enacted by Congress benefit tens of thousands of disabled retirees, an equal number are still excluded from the same principle that eliminates the disability offset for those with 50 percent or higher disabilities. The fiscal challenge notwithstanding, the principle behind eliminating the disability offset for those with disabilities of 50 percent is just as valid for those with 40 percent and below, and the Coalition urges the subcommittee to be sensitive to the thousands of disabled retirees who are excluded from current provisions. As a priority, the Coalition asks the subcommittee to consider those who had their careers cut short because they became disabled by combat, or combat-related events, and were medically retired before they could complete their careers. For these retirees, the disability offset still exists and it is difficult to explain to a lengthy career servicemember, disabled in combat, why his or her service (perhaps as much as 19 years, 11 months) seems to have had no value when a member with 20 years of service and a 10 percent disability receives full payment for service and disability.

The Coalition urges the subcommittee to expand Combat Related Special Compensation to members who were medically compelled to retire before short of 20 years of service solely because of their combat-incurred disabilities, as envisioned in H.R. 1366. This legislation would protect service-based retired pay (2.5 percent of high-3 years' average basic pay times years of service) from being affected by the disability offset. It would avoid the "all or nothing" inequity of the current 20-year threshold, while recognizing that retired pay for those with few years of service is almost all for disability rather than for service and therefore still subject to the VA offset.

The Coalition also urges the subcommittee to resolve inequities associated with the implementation of concurrent receipt legislation enacted in the fiscal year 2005 National Defense Authorization Act. This legislation authorized the immediate restoration of retired pay for 100 percent rated disabled retirees; however, the administration has yet to extend full payment to those disabled retirees who—because their serious disabilities prevent them from working—are paid at the 100-percent rate because the VA has certified them as "unemployable." The exclusion of these "unemployable" disabled retirees has created two classes of 100 percent disabled retirees—a differentiation that is not made in any other circumstance, either by the Department of Veterans Affairs or in the administration of the Combat-Related Special Compensation program by DOD. Accordingly, the Coalition urges the subcommittee to ensure unemployable retirees are provided their full compensation—by statute if the DOD does not do so administratively.

We understand that a significant concern among some critics that still prevents broader concurrent receipt action is the need for a review of the VA disability system. The Coalition believes much of the concern is misplaced, and that the VA system should be able to withstand reasonable scrutiny. The Coalition stands ready to assist the Veterans' Disability Benefits Commission and participate in the debate with relevant information and data affecting a full spectrum of disabled veterans and their families and survivors. Most importantly, the Coalition urges the subcommittee to ensure that the Commission remains focused on the fundamental prin-

ciples that have served as the foundation for both the DOD disability retirement and VA disability compensation processes—principles of fairness, due process, and the unique aspect that military duty is 24/7. We look forward to completion of the review and revalidation of the process as important steps toward resolving concurrent receipt inequity.

The Military Coalition greatly appreciates Congress' action to date, but urges subcommittee leaders and members to be sensitive to the thousands of disabled retirees who are not yet included in concurrent receipt legislation enacted over the past several years. Specifically, as a priority, the Coalition urges the subcommittee to expand combat-related special compensation to disabled retirees who were not allowed to serve 20 years solely because of combat-related disabilities.

The Coalition also urges the subcommittee to resolve NDAA for Fiscal Year 2005 concurrent receipt legislation inequities that prevents those disabled retirees rated 100 percent because of "unemployability" ratings from receiving their full restoration of retired pay. Finally, the Coalition strongly urges the subcommittee to ensure the Veterans' Disability Benefits Commission protects the principles guiding the DOD disability retirement program and VA disability compensation system.

Former Spouse Issues

The Military Coalition recommends corrective legislation to eliminate inequities in the USFSPA that were created through years of well-intended, piecemeal legislative action initiated outside the subcommittee.

The Coalition supports the recommendations in the DOD's September 2001 report, which responded to a request from this committee for an assessment of USFSPA inequities and recommendations for improvement. The DOD recommendations to allow the member to designate multiple SBP beneficiaries would eliminate the current unfair restriction that denies any SBP coverage to a current spouse if a former spouse is covered, and would allow dual coverage in the same way authorized by Federal civilian SBP programs.

The Coalition also supports DOD recommendations to require the Defense Finance and Accounting Service (DFAS) to make direct payments to the former spouses, regardless of length of marriage; eliminate the 1-year deemed election period for SBP eligibility; if directed by a valid court order, require DFAS to deduct SBP premiums from the uniformed services retired pay awarded to a former spouse if directed by a court order; and authorize DFAS to garnish ordered, unpaid child support payments from the former spouse's share of retired pay.

Also, DOD recommends that prospective award amounts to former spouses should be based on the member's grade and years of service at the time of divorce—rather than at the time of retirement. The Coalition supports this proposal since it recognizes that a former spouse should not receive increased retired pay that is realized from the member's service and promotions earned after the divorce.

The Coalition believes that, at a minimum, the subcommittee should approve those initiatives that have the consensus of the military and veterans' associations, including the National Military Family Association. The Coalition would be pleased to work with the subcommittee to identify and seek consensus on other measures to ensure equity for both servicemembers and former spouses.

The Military Coalition recommends corrective legislation be enacted to eliminate the inequities in the administration of the USFSPA, to include consideration of the recommendations made by the Department of Defense in their 2001 USFSPA report.

Tax Relief for Uniformed Services Beneficiaries

To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance programs, such as TRICARE supplements, the Active-Duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the Internal Revenue Service (IRS).

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing Federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports legislation that would amend the tax law to let Federal civilian retirees and Active-Duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the subcommittee will lend its support to this legislation and help ensure equal treatment for all military and Federal beneficiaries.

The Coalition urges the subcommittee to support S. 484 to provide all uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the Active-Duty dental plan, TRICARE Retiree Dental Plan, FEHBP, and Long Term Care.

HEALTH CARE TESTIMONY 2005

The Military Coalition is most appreciative of the subcommittee's exceptional efforts over several years to honor the government's health care commitments to all uniformed services beneficiaries. These subcommittee-sponsored enhancements represent great advancements that should significantly improve health care access while saving all uniformed services beneficiaries thousands of dollars a year. The Coalition particularly thanks the subcommittee for last year's outstanding measures to provide increased health care access for members of the Guard and Reserve components and their families.

While much has been accomplished, we are equally concerned about making sure that subcommittee-directed changes are implemented and the desired positive effects actually achieved. Additional initiatives will be essential to providing an equitable and consistent health benefit for all categories of TRICARE beneficiaries, regardless of age or geography. The Coalition looks forward to continuing our cooperative efforts with the subcommittee's members and staff in pursuit of these common objectives.

FULL FUNDING FOR THE DEFENSE HEALTH BUDGET AND MANPOWER TRANSFORMATION PLANS

Once again, a top Coalition priority is to work with Congress and DOD to ensure full funding of the Defense Health Budget to meet readiness needs—including graduate medical education and continuing education, full funding of both direct care and purchased care sectors, providing access to the military health care system for all uniformed services beneficiaries, regardless of age, status or location. An underfunded Defense Health Program inevitably compromises the capability to deliver desired levels of quality care and undermines the health care benefits military beneficiaries have earned. A fully funded health care benefit is critical to readiness and the retention of qualified uniformed service personnel.

The subcommittee's continued oversight of the defense health budget is essential to avoid a return to the chronic underfunding of recent years that led to execution shortfalls, shortchanging of the direct care system, inadequate equipment capitalization, failure to invest in infrastructure, curtailed drug formularies, and reliance on annual emergency supplemental funding requests as a substitute for candid and conscientious budget planning. We are grateful that once again late last year, Congress provided $683 million supplemental appropriations to meet the last quarter's obligations—but not all of the growing requirements in support of the deployment of forces to Southwest Asia and Afghanistan in the global war against terrorism.

The Coalition is hopeful that fiscal year 2006 funding levels will not fall short of current obligations. We fear that additional supplemental funding will once again be required. Last year, citing budgetary restraints, the Air Force made a unilateral decision directing removal of certain drugs from military treatment facility (MTF) formularies. We appreciate that these are extremely challenging budget times for MTF commanders; however, we are greatly concerned that this budget-driven action undermined the deliberative process by which the Uniform Formulary must be developed.

In addition, this policy forced increased use of the TMOP and TRRx, more costly points of service, and thus increased costs to both DOD and beneficiaries; inappropriately made budget considerations the primary driver of formulary limits; bypassed any opportunity for Beneficiary Advisory Panel inputs; and imposed regrettable interservice disparities in pharmacy benefits

Health care requirements for members returning from the global war on terrorism are also expected to continue to strain the military delivery system in ways that may not have been anticipated in the budgeting process. Similarly, implementation of the TRICARE Standard requirements in the National Defense Authorization Act for Fiscal Year 2004—particularly those requiring actions to attract more TRICARE

providers—will almost certainly require additional resources that we do not believe are being budgeted for. Financial support for these increased readiness requirements; TRICARE provider shortfalls and other needs will most likely require additional funding.

At the January 2005 TRICARE Conference, Assistant Secretary Winkenwerder said that funding for fiscal years 2006 and 2007 was adequate. However, he went on to state, "looking to the longer term, I'm candidly concerned." At the same conference Air Force Chief of Staff General John Jumper asserted that the health system is facing an $11 billion shortfall over the next few years.

The Military Coalition strongly recommends the subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, including military medical readiness, needed TRICARE Standard improvements, and the DOD peacetime health care mission. It is critical that the Defense Health Budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

Medical Manpower Transformation

The Coalition is concerned that over the next few years, the military services are reshaping their forces by civilianizing thousands of billets now held by uniformed health care personnel. This switch from military-to-civilian providers is in conjunction with DOD's overall manpower plans to "transform" the military by converting support billets into civilian positions, thus freeing' personal in uniform for jobs tied directly to warfighting.

The Coalition is well aware of the Nation-wide health care provider shortage. This entire plan is predicated on the assumption that there are adequate numbers of civilian providers out there readily available to work in the military's direct care system. We are also greatly concerned about the willingness of civilian providers to accommodate an even greater patient load when the remaining uniformed medical professionals deploy for contingencies.

We hear from our members across the country that they already encounter difficulty in finding providers who will accept TRICARE patients. The Coalition is concerned that this problem will only increase if some of those civilian providers now must assume the additional caseload previously seen by uniformed medical professionals. The Coalition also is concerned that a shift in provider mix may compromise DOD's outstanding graduate medical education (GME) programs.

The Coalition readily acknowledges that we lack the expertise to second-guess the number of uniformed positions needed to adequately staff the direct care system. We will only know if the plan is successful or not from reports of our members who may or may not be turned away from the direct care system or who may experience greater difficulty finding civilian providers. Access to care for beneficiaries will be the ultimate measure of success.

The Coalition does not think that service leaders are oblivious to the Nationwide shortage of health care providers, even if their plans sometimes may prove over-optimistic. But we believe that budget considerations have been the driving force behind these manpower changes rather than beneficiary care requirements.

The Military Coalition urges the subcommittee to provide oversight to the implementation of manpower transformation plans on health care delivery for the entire DHP to ensure the plan to shift non-operational care to civilian providers does not inadvertently compromise health care delivery; beneficiary access; or the Graduate Medical Education, career progression, and assignment rotation base needs of uniformed medical professionals.

TRICARE AND VA ISSUES

Assistance for Wounded Combat Veterans and Others Separating from Military Service

In 2003, the President's Task Force (PTF) to Improve Health Care Delivery for Our Nation's Veterans final report on DOD–VA collaboration focused on the need to improve services and support for separating servicemembers to ensure the receipt of timely, quality health care benefits. The Coalition urges the subcommittee to continue to work with the Veteran's Affairs Committee, DOD, and the Department of Veterans Affairs to move forward with greater interagency collaboration. At this time when hundreds of thousands of servicemembers are deployed in combat operations, the stakes are even higher—putting them at greater risk for long-term, service-connected health, and disability problems.

In a more recent report, January 2005, Vocational Rehabilitation; More VA and DOD Collaboration Needed to Expedite Services for Seriously Injured Servicemembers, GAO recommends that VA and the DOD collaborate to reach an agree-

ment for VA to have access to information to promote recovery and return to work for seriously injured servicemembers; and to develop policy and procedures for regional offices to maintain contact with the seriously injured servicemembers. Without systematic data from DOD, the VA cannot reliably identify all seriously injured servicemembers or know with certainty when they are medically stabilized, when they are undergoing medical evaluation, or when they are medically discharged from the military. Patient tracking and quality and continuity in medical care then become bigger issues in achieving seamless transition goals.

The Coalition is grateful that the NDAA for Fiscal Year 2005 directed DOD to do a better job of collecting base line health status data through a formal medical readiness tracking and health surveillance system. The Coalition applauds the development of a single separation physical supporting the transition between the DOD and VA health systems. Offering one discharge physical, providing outreach and referrals for a VA Compensation and Pension examination, as well as following up on claims adjudication and rating is not just more cost effective in terms of capital and human resources; it is the right thing to do—to ensure that servicemembers receive the benefits they have earned and deserve.

Both agencies are working toward implementing a single separation exam at Benefits Delivery at Discharge (BDD) sites for Active and Reserve component members within 180 days of separation. The Coalition is pleased to learn that the One Exam discharge physical is being implemented at several sites. However, we are concerned that implementation service wide is lagging. The Coalition is particularly concerned about the significant gaps in implementing the program in the Washington, DC area. Key MTFs like Walter Reed Army Medical Center and National Naval Medical Center do not have a single, systematic process in place. This is particularly alarming considering the DOD and Department of Veterans Affairs are headquartered in the area. It seems reasonable to expect the Washington, DC MTFs to serve as models for other DOD and VA medical delivery systems. We ask the subcommittee to provide continued oversight to ensure that this important program is implemented promptly and effectively at all sites.

The Coalition believes that both DOD and VA have critical, complementary roles in ensuring returning combat veterans, and other servicemembers scheduled for separation or retirement, receive prompt, comprehensive quality care and services from each agency. But recent "seamless transition" initiatives have resulted in only modest improvements in service delivery. With rising numbers of wounded combat veterans and projected large numbers of Guard and Reserve separations, we urge the subcommittee to insist on accelerating the PTF's "seamless transition" initiatives recommended on DOD–VA collaboration—including developing an electronic DD 214; an interoperable bi-directional electronic medical record and enhanced post-deployment health assessments.

Some of these efforts have been going on for years on end with little or no substantive progress, in part because those responsible for action have come to have low expectations. Time and again, progress has been stymied by a combination of a lack of leadership priority and oversight, management turnover, bureaucratic inertia, and technological backwardness. The Coalition believes that only an extraordinary kind of "Manhattan Project" can provide the kind of leadership focus and priority needed to finally deliver the broad, timely and effective results our servicemembers and veterans so urgently need and deserve.

Additionally, the Coalition urges Congress to push for the availability of robust preventive mental health counseling services for servicemembers, families, and survivors, including training programs that will help individuals know when to seek professional help by:

- Promoting a smooth transition to TRICARE-covered mental health services,
- Expanding access to the full range of mental health/family counseling services regardless of the beneficiary's location, taking into consideration that the need for services to assist servicemembers and families with deployment-related issues may be long-term.

Mental health needs of our servicemembers and families are crucial to maintaining a resilient fighting force, and much more should be done in this area.

The Military Coalition asks the subcommittee to demand a concerted "Manhattan Project" kind of effort to ensure full and timely implementation of seamless transition activities, a bi-directional electronic medical record, enhanced post-deployment health assessments, implementation of an electronic DD214, additional family and mental health counseling services, and the single physical at time of discharge.

TRICARE IMPROVEMENTS

The Coalition is pleased to report that, thanks to this subcommittee's continued focus on beneficiaries, Military Coalition representatives remain actively engaged in an Office of the Secretary of Defense (OSD)-sponsored action group, the TRICARE Beneficiary Panel. This group was formed initially in 2000 to address TFL implementation. Subsequently, over the past 5 years the group has broadened its scope from refining TFL to tackling broader TRICARE beneficiary concerns.

We are most appreciative of the positive working relationship that has evolved and continues to grow between the Beneficiary Panel and the leaders and staff of the TRICARE Management Activity (TMA). This collegiality has gone a long way toward making the program better for all stakeholders. From our vantage point, TMA continues to be committed to implementing TFL and other health care initiatives consistent with congressional intent and continues to work vigorously toward that end.

Selected Reserve TRICARE Eligibility

For reasons addressed above under Guard and Reserve issues, the Coalition places a high priority on extending TRICARE eligibility to all members of the Selected Reserve and their families.

Implementation of TRICARE Reserve Select

While the Coalition is most appreciative of efforts to extend TRICARE Reserve Select (TRS), cost share access to members of the Select Reserve (SELRES) and their families, we would like to bring to the subcommittee's attention issues that need to be addressed.

The Coalition is concerned that National Guard members who complete 90 or more days 'homeland security' duty under Title 32 as requested by the President will not be eligible to purchase TRS. The Coalition asks the subcommittee to extend eligibility for TRS for mobilized SELRES members regardless of where they serve their nation during the global war on terrorism.

Recently both the Army and Marine Corps have had to rely upon members of the Individual Ready Reserve (IRR) to fill critical positions. Under current TRS rules, despite their service and sacrifice, these individuals will not be able to take advantage of TRS should they return to IRR status post mobilization. The Coalition urges the subcommittee to take steps to permit members of the IRR called to Active-Duty for a contingency operation to participate in TRS, if they remain in the IRR subject to future recall.

Gray-area reservists have been called out of retirement and are precluded from TRS unless they commit to SELRES service after mobilization. Their situation is similar to those in the IRR. Again these individuals are called to service, but unable to take advantage of an earned benefit post mobilization.

Members must agree to remain in the SELRES for the duration of their TRS coverage, yet should they be mobilized during that time, they will lose part or all of the remaining coverage they earned. During activation, the TRS benefit continues to "run" but the benefit is superceded because the member and family are covered by Active-Duty and TAMP benefits. Once Active-Duty and TAMP coverage are completed, TRS resumes with the original termination date. For example, 1 year of activation earns 4 years of TRS coverage. If at year two of TRS, the member is mobilized again for 6 months followed by 180 days of TAMP benefits, the beneficiary will have only 1 year of coverage remaining. The Coalition urges the subcommittee to address this inequity by permitting members to extend their previously earned TRS eligibility periods despite any additional Active-Duty service. That is, the running of TRS eligibility "clock" should be "suspended" during any Active-Duty service and restarted thereafter with out loss of benefit.

Current rules require the member to decide on TRS and the commensurate commitment to service before leaving Active-Duty status. The Coalition is concerned that this will certainly result in sudden decisions at demobilization sites. This is forcing a very important decision at a time when a servicemember or their family may not have enough information to make an informed decision about their health care insurance coverage over 6 months out. Should they separate and make a preliminary TRS agreement, their eligibility expires and they and their families lose out on an earned benefits. The Coalition believes that servicemembers should be able to elect TRS during the 180 days of TAMP coverage.

The Military Coalition urges the subcommittee to provide oversight of implementations of the TRICARE Reserve Select benefit, to extend eligibility for TRICARE Reserve Select for mobilized SELRES members regardless of where they serve during the global war on terrorism, to take steps to permit

members of the IRR called to Active-Duty for a contingency operation to participate in TRICARE Reserve Select, if they remain in the IRR subject to future recall, to address loss of TRICARE Reserve Select benefits when members are mobilized during their benefit period and to simplify enrollment procedures permitting beneficiaries to elect TRICARE Reserve Select coverage during the 180 days of Transitional Assistance Management Program.

TRICARE Standard Improvements

The Coalition is most grateful for the subcommittee's extraordinary efforts in the NDAA for Fiscal Year 2004 to improve the TRICARE Standard program. These provisions will be essential to ensure the 3.2 million Standard beneficiaries receive the necessary assistance to ensure they can find a provider. The Coalition is firmly committed to working with Congress, DOD, and the Managed Care Support Contractors (MCSCs) to facilitate prompt implementation of these provisions.

DOD has reported on the initial surveys designed to track provider participation (including willingness to accept new patients). Just as important as the survey outcomes will be what the government does with the data and what resources will be devoted to addressing problems identified by the surveys.

Based on results so far, TMC has concerns on three issues. First, OMB limited DOD to asking providers only three questions on the participation survey, which provides only limited provider inputs and constrains interpretation of the real meaning of the data. Second, discussions with members and contractors indicate some likelihood that beneficiaries who inquire as to the willingness of providers to accept TRICARE may be getting different answers than those provided in the survey. In part, this is because of disparities in various parties' knowledge of the TRICARE program, and it may also be due to the limitations of the DOD survey. Third, there remains no standard of what level of provider participation should be considered adequate or inadequate. Without a measure of what constitutes a problem, it's difficult to establish standards for action. The Coalition is anxious to ensure such standards are developed to be better able to assess the adequacy of Department plans to assist beneficiaries experiencing access problems or other difficulties

While the Coalition is pleased to learn that DOD has directed MCSCs to offer 24/7-telephone access to health care finders, we are disappointed to note this service only provides information regarding network providers. For those beneficiaries residing where Prime is not an option, there will be no network providers for them within easy access. We urge the subcommittee to direct DOD, at a minimum, to have call center staff assist such beneficiaries by consulting the Web based TRICARE Standard provider directory at: www.tricare.osd.mil/standardprovider or direct the beneficiaries to that site. While the Standard provider website is a very useful tool, it is of little use to those without Internet access. The Coalition is eager to learn of other options to provide assistance in finding a Standard provider.

We will continue to work with DOD to implement these activities to give Standard a more prominent role in the TRICARE program. These improvements take on a greater importance in light of the increased demands that will be placed on the Standard program as the NDAA for Fiscal Year 2005 authorized Ready Reserve component beneficiaries cost-share access to Standard benefits, and the potential for the next round of Base Realignment and Closure (BRAC) to limit Prime service areas resulting in a subsequent increase in demand for Standard services.

TRICARE Reserve Select will be an option for thousands of Ready reservists and their families. This expansion of the benefit has raised the stakes in the need to provide a robust Standard benefit for beneficiaries living in all areas—not just those serviced by Prime network areas. Beneficiary and provider education will be just as important for both existing and new Standard beneficiaries.

The Coalition is well aware that DOD had a full plate last year managing the transition of many new TRICARE contracts and implementation of major legislative initiatives, including those for the Guard and Reserve components. We are concerned that DOD's resources may be stretched thin, and the Standard enhancements may take a low priority while other issues are addressed.

The Military Coalition urges the subcommittee's continued oversight to ensure DOD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems for Standard beneficiaries.

Provider Reimbursement

The Coalition appreciates the subcommittee's efforts to address provider reimbursement needs in the NDAA for Fiscal Year 2004 (P.L. 108–136). We recognize that part of the problem is endemic to the flawed Medicare reimbursement system, to which TRICARE rates are directly tied.

The Coalition is troubled to note that a flaw in the provider reimbursement formula led the Centers for Medicare and Medicaid (CMS) to propose cutting Medicare fees in recent years, which were only forestalled by last-minute legislative relief. While the Coalition is grateful for Congress's temporary fixes, the reimbursement formula remains broken.

Once again, the Coalition wishes to bring to the subcommittee's attention that the 2004 report of the Medicare Trustees predicts 5 percent annual cuts in Medicare reimbursements to providers for 2006 through 2012. However, MedPAC has recommended raising Medicare's physician payment rate by 2.7 percent in 2006, stating that a "small but consistent share" of beneficiaries have experienced some difficulty in accessing providers.

Cuts in Medicare (and thus TRICARE) provider payments, on top of providers' increasing overhead costs and rapidly rising medical liability expenses, seriously jeopardizes providers' willingness to participate in both these programs. Provider resistance is much more pronounced for TRICARE than Medicare for a variety of social, workload, and administrative reasons. Provider groups tell us that TRICARE is seen as the lowest-paying program they deal with, and often causes them the most administrative problems. This is a terrible combination of perceptions if you are a TRICARE Standard patient trying to find a doctor.

For patients in Prime, the situation is growing increasingly problematic as deployments of large numbers of military health professionals continues to diminish the capacity of the military's direct health care system. In this situation, more and more TRICARE patients have to turn to the purchased care sector—thus putting more demands on civilian providers who are reluctant to take an even larger number of beneficiaries with relatively low-paying TRICARE coverage.

The Coalition firmly believes this is a readiness issue. Our deployed service men and women need to focus on their mission, without having to worry whether their family members back home can find a provider. Uniformed services beneficiaries deserve the Nation's best health care, not the cheapest.

Congress did the right thing by reversing the proposed provider payment cuts previously planned for March 1, 2003 and January 1, 2004, and instead providing 1.6 percent and 1.5 percent payment increases respectively. Unless Congress or the administration acts soon, effective next year, providers will have to absorb a 5-percent cut for TRICARE patients as well as Medicare patients. More importantly, the underlying formula needs to be fixed to eliminate the need for perennial "band-aid" corrections.

The Coalition is aware that jurisdiction over the Medicare program is not within the authority of the Armed Services Committees, but the adverse impact of depressed rates on all TRICARE beneficiaries warrants a special subcommittee effort to solve the problem.

> *The Military Coalition requests the subcommittee's support of any means to establish and maintain Medicare and TRICARE provider payment rates sufficient to ensure beneficiary access, and to support measures to address Medicare's flawed provider reimbursement formula.*

TRICARE Transition and Implementation of New Contracts

The Coalition is grateful that report language in Senate Armed Services Committee Report 108–260 in last year's NDAA reinforced the expectation for a seamless transition and required GAO monitoring to evaluate effectiveness of the new contracts. The Coalition believes Defense health officials and the TRICARE contractors are all making a sincere effort to work through the problems associated with the transition.

Since the electronic authorization and referral program was not ready when the new contracts were implemented last year, a work around was put in place. Despite all good intentions, the program continues to have delays in authorizations and referrals, causing frustration on the part of all stakeholders—providers, patients, contractors and the government. Phone calls increase, hold times get longer, and our members tell us of lost or delayed referrals for health care.

One area related to the authorization and referral program that continues to raise alarms and has the potential for serous health care problems concerns delays in referrals for TRICARE Prime beneficiaries that exceed Prime access standards. With the manual system in place the Coalition is having difficulty determining when the clock starts for the very stringent Prime access standards. When the provider tells the beneficiary they need another appointment? Or when the beneficiary receives the paper referral up to one week later in the mail? The Coalition firmly believes it ought to be when the provider determines the need for the referral.

In late 2004, the National Military Family Association (NMFA) conducted a web-based survey of TRICARE Prime enrollees. This self-selected survey confirmed the Coalition's concerns that access standards are not being met. NMFA has reported:

Among the 328 survey respondents, there was equal representation from each of the three TRICARE regions—approximately 30 percent from each region with a 1.6 percent response rate from overseas beneficiaries. Sixty percent of the respondents were enrolled in the direct care system and 40 percent were enrolled with a civilian network provider.

- Twelve percent drive more than 30 minutes to see their Primary Care Manager (PCM).
- Over 20 percent were not able to get an urgent care appointment within 24 hours.
- More than 27 percent were not able to get a routine appointment within 7 days.
- Approximately 14 percent were not able to get a wellness appointment within 4 weeks.
- Roughly 23 percent were not able to get a specialty care appointment within 4 weeks of PCM referral
- Almost 10 percent of the respondents drove more than 60 minutes to a specialist appointment.

Beneficiaries enrolled to a PCM at a MTF reported more difficulties in obtaining appointments within the access standards than those enrolled to a civilian network PCM. The top three issues reported by Prime Enrollees were: lack of providers in the area, problems with getting referrals and appointment issues.

As these contracts are implemented, a seamless transition and accountability for progress remains the Coalition's primary concerns. The Coalition is sensitive that massive system changes are being implemented at a time of great stress for uniformed services beneficiaries, especially Active-Duty members and their families. Transitions to new contractors, even when the contract design has not dramatically changed, have historically been tumultuous for all stakeholders, especially beneficiaries. The Coalition believes additional effort must be put forth to make current operations less disruptive for the beneficiary.

One concern with awarding different contract functions to a variety of vendors is that beneficiaries should not be caught in the middle as they attempt to negotiate their way between the boundaries of the various vendors' responsibilities. DOD must find ways to ensure beneficiaries have a single source of help to resolve problems involving the interface of multiple contractors.

Despite all the changes, the Coalition is hopeful that TRICARE beneficiaries will benefit from the new contract structure. By streamlining administrative requirements and being less prescriptive, we hope DOD will be able to improve service delivery and enhance access.

The Military Coalition recommends that the subcommittee continue to strictly monitor implementation of TRICARE contracts, especially the ability to meet Prime access standards, and ensure that Beneficiary Advisory Groups' inputs be sought in the evaluation process.

Prior Authorization under TNEX

One area of concern the Coalition has identified in the past that we hoped would be addressed by the new contracts deals with Prior Authorization. While the TNEX request for proposals purportedly removed the requirement for preauthorization for Prime beneficiaries referred to specialty care, each TRICARE Regional Managed Care Support (MCS) contractor was given great leeway in determining requirements for their region.

Notwithstanding the requirement for all MSCSs to include the six TRICARE-mandated prior authorizations, the Coalition is dismayed to learn that each region manages preauthorization differently. Two MCSCs have instituted the same prior authorization requirements for Standard beneficiaries as for Prime, with the third region being far less prescriptive.

The Coalition believes strongly that this lack of uniformity in benefit delivery is inequitable and confusing to beneficiaries who have family members in different regions (e.g., college students, children of divorced parents) or who are reassigned between regions. It also undermines longstanding efforts of this subcommittee to simplify the system and remove burdens from Standard providers and beneficiaries. The Coalition questions the need to make the fee for service program's requirements as restrictive as that of the managed care option. Continuing these significant preauthorization requirements would seem contrary to current private sector busi-

ness practices, the commitment to decrease provider administrative burdens, and the provision of a uniform benefit.

The Military Coalition urges the subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization for Standard beneficiaries and asks the subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.

Uniform Formulary Implementation

The Coalition is committed to work with DOD and Congress to develop and maintain a comprehensive uniform pharmacy benefit for all beneficiaries. The Coalition expects DOD to establish a robust formulary with a broad variety of medications in each therapeutic class that fairly and fully captures the entire spectrum of pharmaceutical needs of the millions of uniformed services beneficiaries. We believe strongly that the uniform formulary should include the drugs in each class that are most frequently prescribed for private sector patients.

The Coalition is grateful to this subcommittee for the role it played in mandating a Beneficiary Advisory Panel (BAP) to comment on the formulary. Several Coalition representatives are members of the BAP and are eager to provide input to the program. While we are aware that there will be higher costs and limitations to access for some medications, our efforts will be directed to ensuring that the formulary is as broad as possible, that prior authorization requirements for obtaining non-formulary drugs and procedures for appealing decisions are communicated clearly to beneficiaries, and that the guidelines are administered equitably.

The Coalition is particularly concerned that procedures for documenting and approving "medical necessity" determinations by a patient's physician be streamlined, without posing unnecessary administrative hassles for providers, patients, and pharmacists. Beneficiaries' trust will be violated if the formulary is excessively limited, fees rise excessively, and/or the administrative requirements to document medical necessity are onerous.

One of the most problematic issues in the TRICARE pharmacy program has been the policy requirement to substitute generic drugs for brand-name pharmaceuticals whenever a generic version exists. Last summer the Coalition learned from our members that while implementing the new pharmacy contract, DOD arbitrarily voided all previous "medical necessity" approvals that allowed beneficiaries to receive brand-name prescriptions despite the existence of a generic substitute. The Coalition is grateful that when we raised objection to DOD leadership that these patients should have been "grandfathered," DOD health leaders agreed. A temporary waiver was put into place until beneficiaries could be better informed about the need to obtain a new medical necessity requirement.

On the eve of implementation of the Uniform Formulary, this scenario causes the Coalition great alarm. This policy change was never discussed in any of DOD's meetings with beneficiary groups. Nor did beneficiaries or providers receive any advance notice—learning of the brand-name denial at the pharmacy, finding themselves forced into accepting a generic or paying the full (often very expensive) cost out of their pockets. With the advent of the many anticipated changes caused by implementation of the Uniform Formulary, beneficiaries and their providers will need to be better informed of changes to their benefit.

DOD must do a better job of informing beneficiaries about the scope of the benefit—to include prior authorization requirements, generic substitution policy, limitations on number of medications dispensed, processes for determining medical necessity, and the need for reasonable notice to beneficiaries of any significant program changes (such as moving specific drugs to "non-formulary" status). The Coalition is pleased to note that the department has improved its beneficiary education via the TRICARE website. However, we remain concerned that many beneficiaries do not have access to the Internet, and this information is not available through any other written source. As DOD approaches the Uniform Formulary implementation, it will be critical to make this information readily available to beneficiaries and providers.

The Military Coalition urges the subcommittee to ensure the uniform formulary remains robust, with reasonable medical-necessity rules and increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

Access to TSRx for Nursing Home Beneficiaries

Once again, the Coalition would like to bring to the subcommittee's attention the plight faced by TRICARE Senior Pharmacy (TSRx) beneficiaries residing in nursing homes who encounter limitations in utilizing the TSRx benefit. The Coalition is most grateful for report language contained in House Armed Services Committee

Report PL 107–436 regarding waiver of TSRx deductibles. The subcommittee directed the Secretary of Defense to implement policies and regulations or make any legislative changes to waive the annual deductible for these patients, and report to the Armed Services Committees by March 31, 2003.

The Coalition also is appreciative of the report language in the Senate Armed Services Committee Report 108–260 in last year's NDAA expressing concern that the Department has been "unresponsive to the concerns" of those beneficiaries residing in nursing homes who are not able to take advantage of TRICARE network pharmacies. The report directs the Secretary to develop a way of handling nursing home patients' non-network pharmacy claims so that beneficiaries are aware of alternatives to the use of non-network pharmacies to avoid deductible costs. The Coalition is not aware of any first steps taken to develop any plan to provide outreach and education for beneficiaries attempting to deem nursing homes or residential treatment facilities as TRICARE authorized pharmacy services.

Because of State pharmacy regulations, patient safety concerns and liability issues, the vast majority of nursing homes have limitations on dispensing medications from outside sources. In rare cases where the nursing home will accept outside medications, some beneficiaries have been successful in accessing medications via a local TRICARE network pharmacy or the TRICARE Mail Order Pharmacy (TMOP).

However, the vast majority must rely on the nursing home to dispense medications and seek TRICARE reimbursement and this is treated as a non-network pharmacy—which means $150/$300 deductible plus higher copayments per prescription. The non-network pharmacy policy was intended to create an incentive for beneficiaries to use the TMOP/retail network pharmacies. However, this policy unintentionally penalizes beneficiaries who have no other options.

One solution is to work with the nursing home to have them to sign on as a network pharmacy. But experience indicates that few if any nursing homes are willing to become TRICARE authorized pharmacies, thus subjecting helpless beneficiaries to deductibles and increased cost shares—as if they had voluntarily chosen to use a non-network pharmacy.

The Defense Department's May 2003 report states, "The use of non-network pharmacy services by TRICARE beneficiaries residing in nursing homes is not widespread." The Coalition strongly disagrees. Because no effort has been made to educate beneficiaries or nursing homes about this problem, the vast majority of beneficiaries residing in nursing homes are not even aware that they have the ability to file paper claims for reimbursement.

The DOD report further states, that when these instances are brought to their attention, they have been "universally" successful in bringing the institution into the network or identifying a network pharmacy that can serve the beneficiary. The Coalition takes great exception to this unfounded assertion. Our experience with actual members indicates a nearly universal lack of success in resolving this issue.

Pharmacy cost shares were established to direct beneficiaries to a more cost-effective point of access. However, many of our frail and elderly beneficiaries are now residing in institutions where circumstances preclude them from accessing the TRICARE pharmacy at network cost shares. The Coalition asks the subcommittee to take action to ease this financial burden for those who cannot deem their facility a network pharmacy, nor avail themselves of the mail order or retail network benefit—for those whose circumstances are out of their control.

The Military Coalition urges the subcommittee to direct DOD to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries residing in residential facilities that do not participate in the TRICARE network pharmacy program, and who cannot access network pharmacies due to physical or medical constraints.

TRICARE Benefits for Remarried Widows

The Coalition believes there is a gross inequity in TRICARE's treatment of remarried surviving spouses whose subsequent marriage ends because of death or divorce. These survivors are entitled to have their military identification cards reinstated, as well as commissary and exchange privileges. In addition, they have any applicable SBP annuity reinstated if such payment was terminated upon their remarriage. In short, all of their military benefits are restored—except health care coverage.

This disparity in the treatment of military widows was further highlighted by enactment of the Veterans Benefits Act of 2002. This legislation (38 U.S.C. 103(g)(1)) reinstated certain benefits for survivors of veterans who died of service-connected causes. Previously, these survivors lost their VA annuities and VA health care (CHAMPVA) when they remarried, but the Veterans Benefits Act of 2002 restored the annuity—and CHAMPVA eligibility—if the second or subsequent marriage ends in death or divorce.

Military survivors merit the same consideration Congress has extended and the VA has implemented for CHAMPVA survivors.

The Military Coalition urges the subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.

TRICARE Prime Continuity in BRAC Areas

In addition to our concerns about current benefits, the Coalition is apprehensive about continuity of future benefits as Congress and DOD begin to consider another round of base closures this year. Many beneficiaries deliberately retire in localities close to military bases, specifically to have access to military health care and other facilities. Base closures run significant risks of disrupting TRICARE Prime contracts that retirees depend on to meet their health care needs.

Under current TRICARE contracts and under DOD's interpretation of TNEX, TRICARE contractors are supposed to continue maintaining TRICARE Prime provider networks in Base Realignment and Closure (BRAC) areas. However, these contracts can be renegotiated, and the contracting parties may not always agree on the desirability of maintaining this provision.

The Coalition believes continuity of the TRICARE Prime program in base closure areas is important to keeping health care commitments to retirees, their families and survivors, and would prefer to see the current contract provision codified in law.

The Military Coalition urges the subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for uniformed services beneficiaries residing in BRAC areas.

CONCLUSION

The Military Coalition reiterates its profound gratitude for the extraordinary progress this subcommittee has made in advancing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the subcommittee in pursuit of the goals outlined in our testimony. Thank you very much for the opportunity to present the Coalition's views on these critically important topics.

STATEMENT OF JOYCE WESSEL RAEZER, DIRECTOR, GOVERNMENT RELATIONS, NATIONAL MILITARY FAMILY ASSOCIATION

Ms. RAEZER. Mr. Chairman and Senator Nelson, thank you for the opportunity to discuss the quality-of-life of servicemembers and their families.

Military families were most grateful to Congress for making recent increases in imminent danger pay (IDP) and family separation allowance (FSA) permanent. As Mr. Strobridge has stated, continued increases in pay and allowances are necessary to retain a quality force.

Among the benefit improvements for which the National Military Family Association (NMFA) and The Military Coalition ask your help this year is to increase the household goods weight allowance for mid-grade and senior enlisted servicemembers to more accurately reflect the accumulation of goods over the course of a career.

We ask that you continue your support of a robust commissary benefit and your oversight of potential changes in the military exchange systems.

Longer and more frequent deployments are indications that the force is stretched thin. Military families are also stretched thin. Our message to you today is family support programs work, but over the long term, it will take more than bonuses to help families deal with the continued mission stress.

We have been impressed by improvements in family support provided to Guard and Reserve families through State National Guard family assistance centers, expansion of child care resources and subsidies, and the many State and local community programs that support families who live too far from military installations to access services. Programs such as Military OneSource make even more assistance available. The increased emphasis on family support is making a difference, but it is still sporadic. Services continue to refine programs to help families deal with deployment and return and reunion, but must be able to update those programs to meet families' changing needs.

Preventive mental health resources must be more accessible for families and servicemembers over the long term, and special care must be taken to support injured servicemembers and their families. Families and servicemembers must be assured that, should the worst happen, the survivor benefit package will ensure the long-term financial stability of the family members of all servicemembers who die on Active-Duty, regardless of whether or not that death occurs in a combat situation.

The NMFA has been concerned to hear recently of cutbacks in family supported quality-of-life programs at many installations. The outlook for future funding of base support programs such as child care, family centers, spouse employment readiness, and youth and recreation programs seems grim, as the Army, for example, has identified a need for an additional $1.2 billion for base operations support funding for fiscal year 2006. Cutting bedrock installation support services to fund military operations may be penny wise, but it is pound foolish if the lack of these services make it more difficult for families to deal with the continued high operational tempo.

A significant element of families' readiness is quality education for military children. April is the month of the military child. This month and every month, military children need you to ensure that both DOD and civilian schools can meet the counseling, staffing, and program challenges arising from new ongoing and changed missions. We especially ask that you authorize DOD funding of at least $50 million to supplement Impact Aid for civilian schools educating military children to help these districts provide the support children need to receive a quality education despite their frequent relocations and the stress of deployments. Like Senator Nelson, we believe that a plan must be in place soon to assist these districts in dealing with surges in enrollment caused by service transformation and housing privatization issues, global rebasing, or BRAC.

NMFA asks that you continue your vigilant oversight of the defense health system. As Mr. Strobridge indicated, we also believe the direct care system faces a multitude of stressors that affect patient access to care. We are concerned that some military treatment facilities (MTFs) are cutting back on hours or services at exactly the time when they are supposed to be pulling in more care under the new TRICARE contract. The future of successful initiatives such as the family-centered care is in jeopardy if the direct care system must divert essential resources to other demands.

Mr. Chairman, the concern you and Senator Nelson have expressed today sends an important message to servicemembers and their families. Congress understands the link between military readiness and the quality-of-life of the military community. Strong families ensure a strong force. Thank you for your work in keeping our families and our force strong.

Now Ms. Holleman will talk about retiree and survivor issues.

[The prepared statement of Ms. Raezer follows:]

PREPARED STATEMENT BY JOYCE WESSEL RAEZER

Mr. Chairman and distinguished members of this subcommittee, the National Military Family Association (NMFA) would like to thank you for the opportunity to present testimony on quality of life issues affecting servicemembers and their families. NMFA is also grateful for your leadership in the 108th Congress in:

- Making increases in the Family Separation Allowance and Imminent Danger Pay (IDP) permanent.
- Ending the age-62 Survivor Benefit Plan (SBP) offset.
- Providing funding to support the education of military children.
- Including quality of life factors in considerations regarding commissary closures.
- Allowing the "Families First" re-engineering of the DOD household goods movement process to continue on schedule.

As a founding member of The Military Coalition, NMFA subscribes to the recommendations contained in the Coalition's testimony presented for this hearing. We especially endorse the Coalition's recommendations to:

- Eliminate the Dependency and Indemnity Compensation (DIC) offset to SBP.
- Enhance education and outreach to improve military family readiness and support families of deployed Active-Duty, National Guard, and Reserve servicemembers.
- Gradually adjust grade-based housing standards used to determine Basic Allowance for Housing (BAH) to a more realistic and appropriate level reflecting the responsibilities and seniority of each pay grade.
- Increase household goods weight allowances for mid-grade and senior enlisted servicemembers and allow the shipment at government expense of a second privately-owned vehicle for servicemembers on accompanied assignments to overseas locations (including Alaska and Hawaii).
- Expand access to the full range of mental health/family counseling services regardless of the beneficiaries' location
- Allow servicemembers to establish flexible spending accounts for pre-tax payment of dependent care and health care expenses.
- Fully-fund the commissary benefit and scrutinize proposals to close commissaries or combine exchange services.
- Ease the transition of Guard and Reserve families to TRICARE when the servicemember is mobilized by providing a choice of purchasing TRICARE coverage when in drill status or receiving Federal payment of civilian health care premiums when the servicemember is mobilized.
- Fully-fund the Defense Health Program budget to provide access to quality care for all beneficiaries.
- Authorize full BAH for Guard and Reserve members mobilized for more than 30 days.

In this statement, NMFA will address issues related to military families in the following subject areas:

- Family Readiness throughout the Deployment Cycle
- Health Care
- Survivors
- Injured Servicemembers
- Spouse Employment
- Child Care
- Education of Military Children
- Transformation, Global Re-basing, and Base Realignment and Closure (BRAC)

FAMILY READINESS THROUGHOUT THE DEPLOYMENT CYCLE

NMFA is pleased to note the Services continue to refine the programs and initiatives to provide support for military families in the period leading up to deployments, during deployment, and the return and reunion period. Our message to you today is simple: the increased emphasis on family readiness is paying off! However, family readiness over the long term requires that resources must be directed not just at deployment-related support programs, but also to sustain the full array of baseline installation quality of life programs. We have visited installations that benefited from new and enhanced family programs and outreach to families of deployed servicemembers, provided partially through wartime appropriations funding. The National Guard Bureau has opened additional Family Assistance Centers in areas with large numbers of mobilized Guard and Reserve members. The Services are providing additional child care for Active-Duty families through their military child development centers and Family Child Care providers and developing arrangements with child care providers in other locations to serve Guard and Reserve families. Families are better able to communicate with deployed servicemembers and enhanced Service efforts ease servicemembers' return and reunion with their families.

Increased funding and prioritization given to family support is making a difference, but still sporadically. As referenced in its 2004 analysis report, "Serving the Home Front: An Analysis of Military Family Support from September 11, 2001 through March 31, 2004," consistent levels of targeted funding are needed, along with consistent levels of command focus on the importance of family support programs. NMFA is very concerned about recent reports from Service leadership and from individual installations about potential shortfalls in base operations funding and appropriated fund support for morale, welfare, and recreation (MWR) and other quality of life programs. While some of these cuts may be temporary, in programs and facilities seeing declines in patronage due to the deployment of units from the installations, others are in services that support families, such as spouse employment support, volunteer support, child development center hours, or family member orientation programs. These core quality of life programs, family center staff, chaplains, other support personnel, MWR, child care, commissary and exchange programs make the transition to military life for new military members easier and lessen the strain of deployment for all families. NMFA does not have the expertise to ferret out exact MWR funding levels from Service Operations and Maintenance (O&M) budgets. We are concerned about the state of this funding—both appropriated and non-appropriated fund support—because of what we hear from servicemembers and families, what we read in installation papers chronicling cutbacks, and from Service leaders who have identified shortfalls in base operations funding in the administration's fiscal year 2006 budget request.

We are also apprehensive about the potential impact of multiple and simultaneous initiatives by the Office of the Secretary of Defense (OSD) and the military services—including transformation, Global Repositioning, Army Modularity, and BRAC—on these essential quality of life benefits. NMFA continues to hear that installations or Service commands or agencies must divert resources from the basic level of installation quality of life programs to address the surges of mobilization and return. Resources must be available for commanders and others charged with ensuring family readiness to help alleviate the strains on families facing more frequent and longer deployments.

NMFA is particularly troubled by what we see as mixed signals regarding DOD's long-term commitment to quality of life services and programs. During a recent hearing on recruiting and retention before the Personnel Subcommittee of the House Armed Services Committee, an official from OSD and the Service Personnel Chiefs emphasized bonuses as a priority, making little to no reference to the importance of support for military families and quality of life programs in meeting recruiting and retention challenges. On the other hand, in a hearing last month before the Military Quality of Life and Veterans' Affairs Subcommittee of the House Appropriations Committee, the Service Senior Enlisted Advisors emphasized the importance of addressing quality of life issues for Active, National Guard, and Reserve servicemembers and their families. They listed child care and housing as top priorities, in addition to pay, health care, and educational opportunities for servicemembers and their families. NMFA is concerned that this inconsistent emphasis among military leaders may give the perception that DOD is not serious about the value of non-pay elements of the military benefit package.

What's Needed for Family Support?

Family readiness volunteers and installation family support personnel in both Active-Duty and Reserve component communities have been stretched thin over the

past 3½ years as they have had to juggle pre-deployment, ongoing deployment, and return and reunion support, often simultaneously. Unfortunately, this juggling act will likely continue for some time. Volunteers, whose fatigue is evident, are frustrated with being called on too often during longer than anticipated and repeated deployments. Family member volunteers support the servicemembers' choice to serve; however, they are worn out and concerned they do not have the training or the backup from the family support professionals to handle the problems facing some families in their units. Military community volunteers are the front line troops in the mission to ensure family readiness. They deserve training, information, and assistance from their commands, supportive unit rear detachment personnel, professional backup to deal with family issues beyond their expertise and comfort level, and opportunities for respite before becoming overwhelmed. NMFA is pleased to note that the Army's paid Family Readiness Group assistants are getting rave reviews from commanders and family readiness volunteers—more of these positions are needed.

NMFA knows that complicated military operations can result in deployments of unexpected lengths and more frequent deployments. But we also understand the frustrations of family members who eagerly anticipated the return of their servicemembers on a certain date only to be informed at the last minute that the deployment will be extended. Others hope to enjoy a couple of years of family time with the servicemember only to be told that the unit will be deployed again within a year or less. Other than the danger inherent in combat situations, the unpredictability of the length and frequency of deployments is perhaps the single most important factor frustrating families today. Because of this unpredictability, family members need more help in acquiring the tools to cope. They also need consistent levels of support throughout the entire cycle of deployment, which includes the time when servicemembers are at the home installation and working long hours to support other units who are deployed or gearing up their training in preparation for another deployment. As one spouse wrote to NMFA:

> This is really starting to take a toll on families out here since some families are now on the verge of their third deployment of the servicemember to Iraq. Families are not so much disgruntled by the tempo of operations as they are at a loss for resources to deal with what I've started calling the "pivotal period." This is the point where the honeymoon from the last deployment is over, the servicemember is starting to train again for the next deployment in a few months and is gone on a regular basis, the family is balancing things with the servicemember coming and going and also realizing the servicemember is going to go away again and be in harm's way. We have deployment briefs that set the tone and provide expectations for when the servicemember leaves. We have return and reunion briefs that prepare families and provide expectations for when the servicemember returns. These two events help families know what is normal and what resources are available but there is an enormous hole for that "pivotal period." No one is getting families together to let them know their thoughts, experiences and expectations are (or aren't) normal in those in between months. Deployed spouses have events, programs, and free child care available to them as they should—but what about these things for the in-betweeners who are experiencing common thoughts and challenges?

As deployments have continued, the Services have refined their programs to educate servicemembers and family members about issues that may surface after the homecoming and immediate reunion. Efforts to improve the return and reunion process must evolve as everyone learns more about the effects of multiple deployments on both servicemembers and families, as well as the time it may take for some of these effects to become apparent. Information gathered in the now-mandatory post-deployment health assessments may also help identify servicemembers who may need more specialized assistance in making the transition home over the long term. Many mental health experts state that some post-deployment problems may not surface for several months after the servicemembers return. Assessments done at crowded de-mobilization sites where servicemembers' primary wish is to complete their outprocessing checklist and go home may not capture either the immediate needs of the servicemember for counseling services or be an accurate predictor of future needs. NMFA applauds the announcement made in January by the Assistant Secretary of Defense for Health Affairs that DOD would mandate a second assessment at the 4-to-6 month mark following the servicemember's return. We urge Congress to ensure the military Service medical commands have the personnel resources needed to conduct these assessments.

NMFA is concerned that much of the research on mental health issues and readjustment has focused on the servicemember. More needs to be done to study the effects of deployment and the servicemembers' post-deployment readjustment on family members. Families also tell us they need more information and training on how to recognize signs of Post Traumatic Stress Disorder (PTSD) in their servicemember and how to handle the situations they are told may be common after the servicemember's return. While return and reunion training is getting better and more families are participating, some family members are saying more must be done to support families following the return. According to one spouse:

> The problem comes in when it's you and hubby at home and he just woke up screaming, or threw an object across the room because he's angry or freaks out in a crowd. Yes, they tell you it could happen, but what do you do when it does? Where is the help when this stuff happens? We don't think the problem is the reunion classes, it's the follow-up.

Return and reunion issues are long-term issues. NMFA believes more also needs to be done to ensure proper tracking of the adjustment of returning servicemembers. This tracking becomes more difficult when servicemembers are ordered to a new assignment away from the unit with which they deployed. Post-deployment assessments and support services must also be available to the families of returning Guard and Reserve members and servicemembers who leave the military following the end of their enlistment. Although they may be eligible for transitional health care benefits and the servicemember may seek care through the Veterans' Administration (VA), what happens when the military health benefits run out and deployment-related stresses still affect the family?

NMFA is pleased that DOD has intensified its marketing efforts for Military OneSource as one resource in the support for families throughout the entire deployment cycle. Military OneSource provides 24/7 access, toll-free or online, to community and family support resources, allowing families to access information and services when and where they need them. DOD, through OneSource, has committed to helping returning servicemembers and families of all Services access local community resources and receive up to six free face-to-face mental health visits with a professional outside the chain of command.

While NMFA believes OneSource is an important tool for family support, it is not a substitute for the installation-based family support professionals or the Family Assistance Centers serving Guard and Reserve families. NMFA is concerned that some of the recent cuts in family program staff at installations suffering a shortfall in base operations funding may have been made under the assumption that the support could be provided remotely through OneSource. The OneSource information and referral service must be properly coordinated with other support services, to enable family support professionals to manage the many tasks that come from high operational tempo. The Services must also ensure the OneSource contractor has up-to-date information on military installation services and military benefits, such as TRICARE. The responsibility for training rear detachment personnel and volunteers and in providing the backup for complicated cases beyond the knowledge or comfort level of the volunteers should flow to the installation family center or Guard and Reserve family readiness staff. Family program staff must also facilitate communication and collaboration between the rear detachment, volunteers, and agencies such as chaplains, schools, and medical personnel. The OneSource counseling must be provided with an understanding of the TRICARE benefit and assist with a smooth handoff if the provider determines that the beneficiary needs medical mental health services rather than the relationship and "coping with stress" counseling offered by OneSource.

Guard and Reserve Families

NMFA appreciates the focus that has been placed on enhancing programs for the families of deployed Guard and Reserve members. Ongoing training programs for family readiness volunteers and family readiness liaisons and rear detachment commanders address the concern that was raised in the NMFA analysis report, "Serving the Home Front," that all members of the family readiness team train together in order to more effectively serve their families. NMFA staff observed the effectiveness of this training first hand at a Reserve unit training in January where servicemembers training as family readiness liaisons or "frills" experienced epiphanies as they viewed problems and miscommunications from the family side instead of the command side. This collaboration can go a long way in bettering communication on all sides.

Geographically-isolated Guard and Reserve families must depend on a growing but still patchy military support network. As indicated in the NMFA analysis report, one way to effectively multiply resources is an increased use of community pro-

grams to reach out to those families who are geographically dispersed. Countless local and state initiatives by government organizations and community groups have sprung up to make dealing with deployment easier for Guard and Reserve family members. One new initiative that has the potential to network these local efforts is the National Demonstration Program for Citizen-Soldier Support. This community-based program is designed to strengthen support for National Guard and Reserve families by building and reinforcing the capacity of civilian agencies, systems, and resources to better serve them. Initiated by the University of North Carolina at Chapel Hill, with $1.8 million in seed money provided in the fiscal year 2005 Defense Appropriations Act, the Citizen-Soldier Support Program will be coordinated closely with existing military programs and officials in order to avoid duplication of effort and to leverage and optimize success. Communities want to help. Leveraging this help with Federal funding and programs can be a win-win situation. NMFA recommends authorization of this program and continued funding to allow it time to develop a model that can be replicated in other locations and to set up training to achieve this replication.

NMFA applauds the various initiatives designed to meet the needs of servicemembers and families wherever they live and whenever they need them and requests adequate funding to ensure continuation both of the "bedrock" support programs and implementation of new initiatives. Higher stress levels caused by open-ended deployments require a higher level of community support. We ask Congress to ensure that the Services have base operations funding at the level necessary to provide robust quality of life and family support programs during the entire deployment cycle: pre-deployment, deployment, post-deployment, and in that "pivotal period" between deployments. Accurate and timely information on options for obtaining mental health services and other return and reunion support must be provided to families as well as to servicemembers. NMFA recommends increased funding for community based programs to reach out to meet the needs of geographically dispersed servicemembers and their families.

HEALTH CARE

This year, NMFA is monitoring the after-effects of the transition to the new round of TRICARE contracts and the continued transition of mobilized Guard and Reserve members and their families in and out of TRICARE. We are concerned that the Defense Health Program may not have all the resources it needs to meet both military medical readiness mission and provide access to health care for all beneficiaries. The Defense Health Program must be funded sufficiently so that the direct care system of military treatment facilities and the purchased care segment of civilian providers can work in tandem to meet the responsibilities given under the new contracts, meet readiness needs, and ensure access for all TRICARE beneficiaries. Families of Guard and Reserve members should have flexible options for their health care coverage that address both access to care and continuity of care

TRICARE PRIME

The change to three TRICARE Regions and three regional Managed Care Support Contractors (MCSC) did not go as smoothly as expected. The large number of Primary Care Manager (PCM) changes, particularly in the West Region, created significant angst among beneficiaries. NMFA believes that most of these issues have been resolved, but it certainly did not make for a hassle free transition for many beneficiaries!

The most egregious problem that surfaced during the transition was the inability of DOD to satisfactorily roll-out its electronic referral program. The program was intended to facilitate electronic referrals by the PCM to specialists, often while the beneficiary was still in the PCM's office. At the last minute, it became apparent that the system was not ready for "prime time" and, in fact, is still not up and running. A date for it to be so has not been determined. In order for referrals to be made, both the MCSCs and the military treatment facilities (MTF) had to quickly devise a paper process that met the contract specifications of "first refusal" by the MTF. Some rather obvious bottlenecks within the process were identified and have for the most part been rectified. Originally some MTFs were holding referrals in-house even though they or any other MTF within the drive time Prime standard did not have the necessary specialty. While that issue is being improved, the time the paper process is taking in most cases increases the likelihood that the Prime access standard of 28 days for specialty care may be exceeded by anywhere from a week to 2 or 3 weeks. The MCSCs were forced to quickly hire and train hundreds of new employees in order to facilitate the paper referral process. They, we assume, will be reimbursed for their extra expenses by DOD. The MTFs, on the other hand, have had to handle

the problem without any increase in staffing. While the MCSCs are in most cases meeting the 28 day standard from the time they receive the referral, the delay appears to be in receiving the referral from the MTF. We have had few complaints of the 28 day access window being exceeded when the referral was totally within the civilian network. The problems seem to be almost totally tied to the "first refusal" right of MTFs. NMFA has no problem with the concept of "first refusal" as we support a well-utilized direct care system and believe the vast majority of Prime enrollees prefer to receive their care in an MTF. We are most concerned, however, that the promised access standards for Prime are not being met. We believe that just as the enrollee is tied to certain contract requirements to receive care, the government should be held accountable for its side of the contract that includes promised access standards.

In late 2004, NMFA conducted a voluntary web survey of TRICARE Prime access standards. We were disappointed to note that in each category where Prime access standards were not being met, beneficiaries enrolled at MTFs had higher rates of noncompliance than did those enrolled in the civilian network. Most notably, the 1 hour drive time for a specialist appointment was exceeded more than 15 times as often for those enrolled at an MTF. In addition, four out of ten respondents enrolled at an MTF were unable to get an urgent care appointment within 24 hours and more than one in three enrolled at an MTF were unable to get a routine appointment within the one week Prime access standard. We were surprised at the number and length of comments provided on the survey. Some beneficiaries were most complimentary of the TRICARE program. By far the largest number of negative comments referenced referrals and difficulty accessing assistance on the toll free numbers both in length of time on the phone and ability of the representative to answer questions or solve problems.

The change of PCMs and the convoluted referral and authorization process overwhelmed the MCSCs' telephone systems, with long waits for beneficiaries who sometimes found their problems remained unresolved once they were finally connected. All of the MCSCs have worked hard on the problem and the telephone situation has vastly improved. NMFA appreciates that both the MCSCs and DOD are working to expedite the referral and authorization process. We are concerned about the cost of the additional manpower and of the work-around procedures needed in the absence of DOD's promised electronic referral system.

NMFA believes that "rosy" predictions when significant contract changes are being made are a disservice to both beneficiaries and the system. NMFA is appreciative of the intense effort being made to improve the referral and authorization process, but is concerned about the cost of the work-around and the prospect of a new round of disruptions when DOD's electronic referral and authorization system is implemented. It is imperative that whatever changes are made, the promised Prime access standards must be met.

TRICARE STANDARD

NMFA is most appreciative of the requirements included in the National Defense Authorization Act (NDAA) for Fiscal Year 2004 for improving TRICARE Standard. The results of the first survey of market areas required in the NDAA have proved disappointing as the Office of Management and Budget limited the number of questions to three. "Are you accepting new patients?" "Are you accepting new TRICARE Standard patients?" If the answer to the second question was no, then the providers were asked "Why?" Obviously one cannot tell if the provider is accepting new Medicare patients and not new TRICARE Standard patients (the reimbursement would be the same in most cases). One cannot tell even if the provider was aware of the difference between being in the TRICARE network or simply being an authorized TRICARE provider. One does not know if the new patients that are being accepted are private pay versus insured. One also does not know how long the provider has not been accepting new TRICARE Standard patients, so one does not know if the more complicated claims process, that no longer exists, could be the reason for not accepting TRICARE patients. Perhaps the biggest unknown is whether or not the provider previously accepted new TRICARE Standard patients and has stopped doing so and the reason for the change. In other words, the results gave a piece of the picture, but by no means the entire picture.

Even with this limited information, the survey results show a significant difference between providers accepting any new patients and those accepting new TRICARE Standard patients. The difference in percentages ranged from a low of 4 percent to a high of 35 percent with the average for all market areas being 15.5 percent. Without additional knowledge, getting to the root cause of the difference

is problematic. NMFA hopes the DOD surveys of additional market areas will be able to include more questions so the picture can be complete.

DOD has added a Standard provider directory on its TRICARE web site to assist beneficiaries in finding physicians. However, the law allows providers to decide for each appointment whether or not they will accept TRICARE Standard reimbursement. Hence a provider whose name is in the directory may not take a particular TRICARE Standard patient or may not accept TRICARE reimbursement for all of that patient's care.

NMFA would like to note that, with the start of the new TRICARE contracts, DOD also sent a beneficiary handbook to every household with a TRICARE (not TRICARE for Life) beneficiary. Having DOD provide a handbook to every beneficiary has long been a goal for NMFA. We are exceedingly grateful that this action was taken! We note, however, that more needs to be done to educate Standard beneficiaries about their benefit and any changes that might occur to that benefit—they should not have to wait for the next contract turnover to receive another handbook!

NMFA believes ending the TRICARE Standard access problem that is a constant complaint of beneficiaries cannot be accomplished if the reasons providers do not accept TRICARE Standard cannot be ascertained.

GUARD AND RESERVE FAMILY HEALTH CARE

Despite increased training opportunities for families, the problem still persists of educating Guard and Reserve family members about their benefits. New and improved benefits do not always enhance the quality of life of Guard and Reserve families as intended because these families lack the information about how to access these benefits. NMFA is closely watching the impending implementation of the TRICARE Reserve Select health care benefit for the Reserve component. We have several concerns about the implementation of this program, especially regarding beneficiary education on the new benefit. Presently, when Guard or Reserve members are mobilized, their families have the option of enrolling in TRICARE Prime or TRICARE Prime Remote. Under TRICARE Reserve Select, families will only be allowed to use the TRICARE Standard option. The rules governing the program state that the servicemember must declare his/her intention to commit to further service in the Reserve component and sign up for Reserve Select before leaving Active-Duty. Both the servicemember and the family need to understand the coverage provided under Reserve Select, the costs, and, most importantly, how Reserve Select differs from the TRICARE Prime or Prime Remote benefit the family used while the servicemember was on Active-Duty. We do not want servicemembers to believe they are signing up for a TRICARE Prime-like benefit when they are, in reality, signing up for TRICARE Standard.

NMFA is grateful to Congress for its initial efforts to enhance the continuity of care for National Guard and Reserve members and their families. Unfortunately, these improvements, including Reserve Select, are not all that is needed. Information and support are improving for Guard and Reserve families who must transition into TRICARE; however, NMFA believes that going into TRICARE may not be the best option for all of these families. Guard and Reserve servicemembers who have been mobilized should have the same option as their peers who work for the Department of Defense: DOD should pay their civilian health care premiums. The ability to stay with their civilian health care plan is especially important when a Guard or Reserve family member has a special need, a chronic condition, or is in the midst of treatment. While continuity of care for some families will be enhanced by the option to allow Guard and Reserve members to buy into Reserve Select after they return from a deployment, it can be provided for others only if all Selected Reserve are allowed buy into TRICARE or to choose to remain with their civilian health insurance while receiving a subsidy from DOD.

NMFA also believes it is time to update the Transitional Assistance Management Program (TAMP) health care benefit to reflect recent changes in the TRICARE Prime benefit. Currently, servicemembers who have been demobilized and their families are eligible for 180 days of TAMP health care benefits. If TRICARE Prime is available, they may re-enroll in Prime during the TAMP benefit period. Servicemembers and families who live in areas where there is no Prime network were eligible for TRICARE Prime Remote when the servicemember was on Active-Duty. During the TAMP benefit period, they are no longer eligible for Prime Remote because the servicemember is no longer on Active-Duty. In some cases, the family must find another provider, thus disrupting continuity of care. Families formerly in Prime Remote must revert to Standard, with its higher cost shares and deductibles. NMFA believes that the legislative language governing the TAMP benefit should be

updated to reflect the availability of TRICARE Prime Remote and that servicemembers and families in TAMP be allowed to remain in Prime Remote.

Emphasis must continue on promoting continuity of care for families of Guard and Reserve servicemembers. NMFA's recommendation to enhance continuity of care for this population is to allow members of the Selected Reserve to choose between buying into TRICARE when not on Active-Duty or receive a DOD subsidy allowing their families to remain with their employer-sponsored care when mobilized. NMFA also recommends that the rules governing health care coverage under TAMP be updated to allow the servicemember and family to remain eligible for TRICARE Prime Remote.

Alarming Discovery

Over the years, NMFA has received anecdotal information from family members that providers are not accepting them as TRICARE patients because the TRICARE reimbursement level was below that provided by Medicaid. Needless to say, family members have been outraged! However, since TRICARE reimbursement is tied by law to Medicare reimbursement, NMFA has believed the problem far larger than the military health care system.

Alarm bells resounded, however, when NMFA was recently informed of the situation in the Hampton Roads area of Virginia. Medicaid reimbursement for a normal pregnancy, including prenatal care, delivery and post partum care is $2,200 in that area. The maximum TRICARE allowance is $1,500. The largest network provider group in the area has therefore dropped out of the Prime network. Some of its providers are refusing to accept TRICARE at all, and others will only take TRICARE Standard patients if the patients pay the allowed 15 percent above the TRICARE allowable. NMFA cannot even imagine the reaction of a deployed servicemember when his spouse reports that she cannot go back to her usual obstetrician for the baby that will be delivered while the member is in Iraq, because TRICARE reimbursement rates are $700 less than Medicaid! Since learning of the situation in Virginia, NMFA has learned of other locations where the Medicaid reimbursement for obstetrical or pediatric procedures exceeds that of TRICARE. NMFA believes the people of this country would not feel comfortable with these statistics.

NMFA does not know how prevalent this problem may be across the country and urgently requests that Congress require DOD to compare the reimbursement rates of Medicaid with those of TRICARE. We are particularly concerned with the rates for pediatric and obstetrical/gynecological care where Medicare has little experience in rate setting.

SURVIVORS

NMFA believes that the government's obligation as articulated by President Lincoln, "to care for him who shall have borne the battle and for his widow and his orphan," is as valid today as it was at the end of the Civil War. As seen in media reports and in questions we hear from military families and others concerned about military families, there is a lot of misinformation and confusion about what the complete benefit is for those whose servicemembers have made the ultimate sacrifice. We know that there is no way to compensate them for their loss, but we do owe it to these families to help ensure a secure future.

NMFA strongly believes that all servicemembers' deaths should be treated equally. Servicemembers are on duty 24 hours a day, 7 days a week, 365 days a year. Through their oath, each servicemember's commitment is the same. The survivor benefit package should not create inequities by awarding different benefits to families who lose a servicemember in a hostile zone versus those who lose their loved one in a training mission preparing for service in a hostile zone. To the family, the loss is the same.

After the death of the servicemember, the spouse encounters a confusing array of decisions that must be made, the consequences of which will influence his or her life and the lives of the children for years to come. NMFA has heard surviving spouses say "My husband told me I'd be well taken care of if something were to happen to him. I don't feel that he would be happy with the way things have been handled". These spouses feel betrayed and poorly served as they transition from Active-Duty status to the confusing status of widow or widower. What should be a seamless transition is often complicated by unnecessary hurdles presented when people who are supposed to help the survivors do not understand the nuances of the survivor benefits, from the widow whose SBP payment was delayed because "her husband was too young to retire" to the pharmacy that charges a widow to fill prescriptions because they believe she is no longer eligible for the TRICARE benefit.

NMFA believes the benefit change that will provide the most significant long term protection to the family's financial security would be to end the DIC offset to the

SBP. The DIC is a special indemnity (compensation or insurance) payment that is paid by the VA to the survivor when the servicemember's service causes his or her death. It is a flat rate payment, which for 2005 is $993 for the surviving spouse and $247 for each surviving child. The SBP annuity, paid by the DOD, reflects the longevity of the service of the military member. It is ordinarily calculated at 55 percent of retired pay.

Two years ago, surviving spouses of all servicemembers killed on Active-Duty were made eligible to receive SBP. The amount of their annuity payment is calculated as if the servicemember was medically retired at 100 percent disability. The annuity varies greatly, depending on the servicemember's longevity of service. As the law is currently written, if the amount of SBP is less than $993, the surviving spouse receives only the DIC payment of $993 per month. If the amount of SBP is greater than $993, the surviving spouse receives the DIC payment of $993 per month (which is non-taxable) plus the difference between the DIC and the SBP. For example, if the SBP is $1,500, the surviving spouse receives $993 from DIC (non-taxable) and $507 from SBP that is subject to tax each month. The DIC payment of $247 for each child is not offset.

Surviving Active-Duty spouses have the option of several benefit choices depending on their circumstances and the ages of their children. Because SBP is offset by the DIC payment, the spouse whose SBP payment would be less than the amount of DIC may choose to waive her SBP benefit and select the "child only" option. In this scenario, the spouse would receive the DIC payment and her children would receive the full SBP amount until the last child turns 18 (23 if in college), as well as the individual child DIC until each child turns 18 (or 23 if in college). Once the children have left the house, the spouse who has chosen this option will be left with an annual income of $11,916 (in 2005 dollars). If there are no dependent children, the surviving spouse whose SBP benefit is less than the $993 DIC payment will experience this income decline just 6 months following the servicemember's death. In each case, this is a significant drop in income from what the family had been earning while on Active-Duty. The percentage of income loss is even greater for survivors whose servicemembers had served longer on Active-Duty. Those who give their lives for their country deserve fairer compensation for their surviving spouses.

As we have described, the interaction between SBP and DIC is a complex procedure to understand. Consider trying to make decisions about this payment distribution a month after losing your spouse, while still in a state of shock and denial. The military service casualty assistance officer (CAO) has received training to help the family through these difficult times. This assistance, however, is often performed as an extra duty and the officer is not an expert in survivor issues or financial counseling. Understanding all the benefits and entitlements is a complex process. We have heard from surviving families that they greatly appreciated the help and support provided by the CAO in those first days as he or she served as a representative of their parent service. The presence of the CAO demonstrates to the family that "we take care of our own" and can be a great comfort to the family as they go through the military funeral and honors. Sometimes, however, training for this extra duty can be hurried or incomplete and may result in misinformation or a missed step in a procedure that is not discovered until months down the road with consequences that are irrevocable.

NMFA recommends the following changes to support surviving family members of Active-Duty deaths:

- Treat all Active-Duty deaths equally. The military services have procedures in place to make "line of death" determinations. Do not impose another layer of deliberation on that process.
- Eliminate the DIC offset to SBP. Doing so would recognize the length of commitment and service of the career servicemember and spouse. Eliminating the offset would also restore to those widows/widowers of those retirees who died of a service-connected disability the SBP benefit that the servicemember paid for.
- Improve the quality and consistency of training for CAOs and family support providers so they can better support families in their greatest time of need.
- In cases where the family has employer sponsored dental insurance treat them as if they had been enrolled in the TRICARE Dental Program at the time of the servicemember's death, thus making them eligible for the 3-year survivor benefit.
- Update the TRICARE benefit provided in 3-year period following the servicemember's death in which the surviving spouse and children are treated as their Active-Duty family members and allow them to enroll in TRICARE Prime Remote.

• Allow surviving families to remain in government or privatized family housing longer than the current 6-month period if necessary for children to complete the school year, with the family paying rent for the period after 6 months.
• Expand access to grief counseling for spouses, children, parents, and siblings through Vet Centers, OneSource, and other community-based services.
• To provide for the long-term support of surviving families, establish a Survivor Office in the Department of Veterans' Affairs.

WOUNDED SERVICEMEMBERS HAVE WOUNDED FAMILIES

Post-deployment transitions could be especially problematic for servicemembers who have been injured and their families. NMFA asserts that behind every wounded servicemember is a wounded family. Wounded and injured servicemembers and their families deserve no less support than survivors. Spouses, children, and parents of servicemembers injured defending our country experience many uncertainties. Fear of the unknown and what lies ahead in the weeks, months, and even years, weighs heavily on their minds. Other concerns include the injured servicemember's return and reunion with their family, financial stresses, and navigating the transition process to the VA.

Comprehensive Support and Assistance

Support, assistance, and above all, counseling programs, which are staffed by real people who provide face to face contact, are needed for the families of wounded/injured servicemembers. Whenever feasible, Military OneSource should be used as a resource multiplier. Mental health services and trained counselors need to be available and easily accessible for all servicemembers and their families who may suffer "invisible" injures like PTSD. Distance from MTFs or VA Centers should not preclude servicemembers and their families from seeking and receiving care. Even those families of servicemembers who are not considered severely disabled could have difficulties in making the transition from Active-Duty to civilian life and should have safety net programs available. Respite care options should be provided and accessible for family members who care for the seriously wounded.

The transition between the DOD and the VA health system can be confusing for servicemembers and their families. Transition time lines and available services extended to wounded servicemembers sometimes vary by Service. Each military Service has developed unique programs for treating seriously injured servicemembers: the Army Disabled Soldier Support System (DS3), the Marine For Life (M4L) and the Air Force Palace HART. These programs do not offer the same support services for the injured servicemember. NMFA has been told that the new DOD Military Severely Injured Joint Operations Center can only provide assistance when the parent Service requests it for an injured servicemember. The role of the DOD and the VA should be clearly explained and delineated and joint efforts between all the Services and the VA in support of the servicemember and family must be the priority. In the case of severely disabled, there should be an individual written transition plan that is explained in full to the supporting family members. Robust transition, employment and training programs for wounded/injured servicemembers and their family members are also important for seamless transition to occur.

Providing for family financial stability

Both immediate and long-term financial pressures affect the family of a wounded/injured servicemember. The initial hospitalization and recovery period often requires the servicemembers' family to leave work for an extended period of time in order to be with their loved one, thus potentially losing a source of income and incurring tremendous travel expenses, childcare costs and other unexpected living expenses during an already stressful time. Although servicemembers continue to draw basic pay and some other allowances during their hospitalization, some families need financial assistance in the immediate period following the injury or during the critical transition until eligibility for VA benefits and disability compensation programs is established or until the servicemember is returned to Active-Duty. NMFA encourages Congress to consider initiatives to provide additional compensation to the servicemember during hospitalization and recovery. Possible solutions would be to continue the servicemember's combat pays and eligibility for the combat zone tax exclusion during the recovery period; provide a disability "gratuity" to the severely injured; or establish a premium-based Servicemember Group Disability Insurance Program as a rider on the Servicemembers' Group Life Insurance (SGLI) Program, to provide a lump sum or monthly payment while the servicemember is recovering.

NMFA also recommends extending the same 3-year medical and dental benefit now provided to survivors of those killed on Active-Duty to the servicemembers who have been medically retired and his/her family.

MTF Family Assistance Centers

Family Assistance Centers (FACs) established at Walter Reed and other major medical centers have proved invaluable in assisting families of wounded servicemembers and in providing a central location to filter community offers of help. NMFA believes these centers are urgently needed in every MTF that treats injured servicemembers. In addition to the recreation, travel and emergency support that these centers already provide, part of the mission of these centers should be to prepare the family for the servicemember's transition back home.

Because "wounded servicemembers have wounded families," NMFA recommends the following changes to support wounded and injured servicemembers and their families:

- Direct the military services, OSD, and the VA to improve their coordination in support of the wounded servicemember and family.
- Consider initiatives to enhance the short term financial stability of the wounded servicemember's family, such as: continuing combat pays and tax exclusion, creating a disability gratuity, or implementing a Servicemember Group Disability Insurance Program.
- Extend the 3-year survivor health care benefit to servicemembers who are medically retired and their families.
- Enhance servicemember and spouse education benefits and employment support.
- Establish a Family Assistance Center at every MTF caring for wounded servicemembers.

EDUCATION FOR MILITARY CHILDREN

A significant element of family readiness is an educational system that provides a quality education to military children, recognizing the needs of these ever-moving students and responding to situations where the military parent is deployed and/or in an armed conflict. Children are affected by the absence of a parent and experience even higher levels of stress when their military parent is in a war zone shown constantly on television. The military member deployed to that dangerous place cannot afford to be distracted by the worry that his or her child is not receiving a quality education. Addressing the needs of these children, their classmates, and their parents is imperative to lowering the overall family stress level and to achieving an appropriate level of family readiness. But it does not come without cost to the local school system.

NMFA is pleased to report that most schools charged with educating military children have stepped up to the challenge. They are the constant in a changing world and the place of security for military children and their families. The DOD is supporting this effort in several significant ways. It has an education website (www.militarystudent.org) to provide information on a variety of education topics to parents, students, educational personnel, and military commanders. NMFA is also pleased to report that other Services are following the Army's lead and hiring fulltime School Liaison Officers at certain installations. The Army not only has School Liaison Officers at all locations, but has also expanded to provide these information services to the Reserve components, recruiters and other remotely-assigned personnel and their families.

NMFA is appreciative of the support shown by Congress for the schools educating military children. It has consistently supported the needs of the schools operated by the DOD Education Activity (DODEA), both in terms of basic funding and military construction. Congress has also resisted efforts by a series of administrations to cut the Impact Aid funding so vital to the civilian school districts that educate the majority of military children. NMFA is also appreciative of the approximately $30 million Congress adds in most years to the Defense budget to supplement Impact Aid for school districts whose enrollments are more than 20 percent military children and for the additional funding to support civilian school districts who are charged with educating severely disabled military children. NMFA does not believe, however, that this amount is sufficient to help school districts meet the demands placed on them by their responsibilities to serve large numbers of military children. Additional counseling and improvements to security are just 2 needs faced by many of these school districts. NMFA requests asks this subcommittee for its assistance in securing an increase in the DOD supplement to Impact Aid to $50 million so that

the recipient school districts have more resources at their disposal to educate the children of those who serve.

DODEA

Department of Defense schools are located in overseas locations (DODDS) and on a small number of military installations in the United States (DDESS). The commitment to the education of military children in DOD schools between Congress, DOD, military commanders, DODEA leadership and staff, and especially military parents has resulted in high test scores, nationally-recognized minority student achievement, parent involvement programs and partnership activities with the military community. This partnership has been especially important as the overseas communities supported by DODDS and many of the installations with DDESS schools have experienced high deployment rates. DOD schools have responded to the operations tempo with increased support for families and children in their communities. We ask that Congress work with DOD to ensure DOD schools have the resources they need to handle their additional tasks.

NMFA also asks this subcommittee to understand the importance military parents attach to schools that educate their children well. DOD recently released the findings of a congressionally-requested study to determine whether it could turn some DDESS districts over to neighboring civilian education agencies. While NMFA did not object to the concept of a report to determine whether school systems are providing a quality education, using tax dollars well, or are in need of additional maintenance or other support funding, we are concerned about the timing of the study and the reaction it has caused in communities already dealing with the stress of the war and deployments. Families in these communities wonder why something that works so well now seems to be threatened. We were relieved that DOD officials announced they would suspend any consideration of the recommendations in the report until after the selection of installations affected by BRAC. We encourage Members of Congress to study those recommendations closely before making any decision that could damage the educational success the DDESS schools have achieved.

Schools serving military children, whether DOD or civilian schools, need the resources available to meet military parents' expectation that their children receive the highest quality education possible. Because Impact Aid from the Department of Education is not fully funded, NMFA recommends increasing the DOD supplement to Impact Aid to $50 million to help districts better meet the additional demands caused by large numbers of military children, deployment-related issues, and the effects of military programs and policies such as family housing privatization. Initiatives to assist parents and to promote better communication between installations and schools should be expanded across all Services.

SPOUSE EMPLOYMENT

Today's military is comprised of predominantly young adults under the age of 35. Sixty-nine percent of all military spouses and 86 percent of junior enlisted spouses are in the labor force. For many families this second income is a critical factor in their financial well being. However, a 2003 RAND study found that the husband- and wife-earnings of a military family were $10,000 a year less than similar civilian families largely due to military wives' lower income potential because of frequent moves. With such statistics and a concern that spouses desiring better careers will encourage servicemembers to leave the military, DOD is paying much-needed attention to spouse employment.

In the DOD Report of the 1st Quadrennial Quality of Life Review: "Families also Serve," numerous initiatives were outlined that support military spouses career aspirations. DOD initiatives include:

- Milspouse.org: A military spouse employment web page, created in partnership with the Department of Labor, that provides easy access to employment and education opportunities.
- Military Spouse Corporate Employment Opportunities (MSCEO). Currently 15 corporations and 3 government entities have partnerships with MSCEO, an Army initiative.
- A no-cost partnership with the ADECCO Group, one of the world's largest employment and staffing agencies, to provide job skills assessments and temporary and permanent placements for spouses.
- Impact Jobs/Employment for Military Spouses (JEMS). Pilot program at Scott Air Force Base, IL, that provides placement services with links to 187 employers with a wide range of full- and part-time job opportunities.

DOD is also planning a partnership with Monster.com to promote spouse employment. Spouses can also receive career counseling through Military OneSource.

With 700,000 Active-Duty spouses, the task of enhancing military spouse employment is too big for DOD to handle alone. Improvements in employment for military spouses and assistance in supporting their career progression will require increased partnerships and initiatives by a variety of government agencies and private employers. NMFA encourages more private employers to step up to the plate and form partnerships with local installations and DOD. One such initiative is the Military Spouse Corporate Career Network (MSCCN), which is a not for profit organization sponsored by Concentra, Inc. The MSCCN is in the process of launching a web portal that will provide military spouses opportunities to apply for employment with Concentra and its corporate partners.

Despite greater awareness of the importance of supporting military spouse career aspirations, some roadblocks remain. State laws governing unemployment compensation vary greatly. At this time very few states generally grant unemployment compensation eligibility to military spouses who have moved because of a servicemember's government ordered move. Although reimbursed for many expenses, military families still incur significant out-of-pocket expenses when the servicemember is ordered to a new assignment. Lacking the financial cushion provided by the receipt of unemployment compensation, the military spouse must often settle for "any job to pay the bills" rather than being able to search for a job commensurate with his or hers skills or career aspirations. NMFA has been pleased to note, however, that some states are examining their in-State tuition rules and licensing requirements. These changes ease spouses' ability to obtain an education or to transfer their occupation as they move. NMFA is appreciative of the efforts by DOD to work with states to promote the award of unemployment compensation to military spouses, eligibility for in-state tuition, and reciprocity for professional licenses. Its website, usa4militaryfamilies.org, provides details on these state initiatives.

NMFA is currently collecting input from spouses on this issue through a Spouse Employment Survey on its website that it hopes will provide additional insights to the career needs and goals of military spouses and the type of employment support they need. NMFA also recognizes that educational opportunities must be expanded for spouses and, with the support of corporate donors, has established a military spouse scholarship program. The program is in its second year. The 1,850 applications we have received for fewer than 40 scholarships attest to the need for more support for spouse education.

We ask Congress to promote Federal and State coordination to provide unemployment compensation for military spouses as a result of Permanent Change of Station (PCS) orders. State governments should be encouraged to look at ways that college credits and fees are more easily transferable and also create a combined task force to explore paths towards national standards for licensing and professional certification. DOD and private sector employers who protect employment flexibility of spouses and other family members impacted by deployment should be applauded and used as role models for others to follow. Last, but not least, military spouses should be encouraged to use the current resources available to educate themselves about factors to consider regarding employment benefits, to include investments, health care, portability, and retirement.

CHILD CARE

On a recent visit to Europe, President and Mrs. Bush stopped at Ramstein Air Base, Germany, to thank the troops for their service and dedication to our Nation. While visiting with families there, Mrs. Bush was made aware of a situation that is getting worse as time goes on: the lack of child care providers and options to meet the needs of military families in the community. This information is not new to NMFA. We have been hearing from our field representatives that this is an ongoing problem, especially outside the continental United States (OCONUS) where child care options are limited. As one of our members in Germany stated:

> Drawing from the pool of military spouses is no longer working over here. Big shortages. They are asking too much of the spouses as it is.

A recent online survey conducted by NMFA further outlines the need for more child care. Among survey respondents:

- 71 percent needed hourly or nights and weekends child care.
- 57.1 percent of Guard and Reserve needed full time care.
- Only 18 percent of all respondents and 14 percent of Guard and Reserve respondents stated that they have been offered free or low cost respite care.
- Almost 60 percent of respondents felt they did not have enough information about child care options.

- More than 30 percent of the respondents use word of mouth as their main source of information about child care. Eighteen percent use the military units or volunteer groups and 6 percent have used Military OneSource.

Of special interest in the survey results was the frustration from dual military parents. Dealing with deployments, drill weekends and lack of child care facilities were of great concern. Families also cited concerns about finding child care after relocating to a new area. Because the servicemember is often quickly deployed after relocation, the spouse must deal with the added stress as he/she looks for employment and childcare in the new location.

Senior military leaders are also taking note of these child care concerns. At the first meeting of the new Military Quality of Life and Veterans' Affairs Subcommittee of the House Appropriations Committee, three of the four Service Senior Enlisted Advisors cited child care as their number one concern for their servicemembers and families. The advisors spoke of lost duty time by servicemembers unable to find child care. DOD officials estimate that the Department needs at least 38,000 more slots. According to the Enlisted Advisors, the need may be greater: all spoke of waiting lists stretching into the thousands.

DOD is expanding partnerships to meet the demand described by the NMFA survey respondents and the Senior Enlisted Advisors. The National Association of Child Care Resource and Referral Agencies (NACCRRA) initiated a program entitled Operation Child Care. The initiative provides donated short term respite and reunion child care for members of the National Guard and Reserve returning from Operation Enduring Freedom/Operation Iraqi Freedom for the 2-week Rest and Recreation leave period. Another initiative through Military OneSource offers 10 hours of free childcare to each servicemember returning on R&R leave. NACCRAA is also partnering with DOD on "Operation Military Child Care," which will help provide much needed government-subsidized, high quality child care for mobilized and deployed military parents who cannot access a military child development center. Other partnerships are being initiated in local communities with local bases and Installations.

NMFA asks Congress and DOD to consider authorizing military members' participation in Flexible Spending Accounts (FSAs) for child care. Ninety percent of private sector employers, plus the Federal civil service, allow their employees to pay dependent and health care expenses on a pre-tax basis through these accounts. Exempting military members from Federal and State income tax and payroll taxes saves employees 15–40 percent or more, depending on tax rates.

More must be done to meet the Active-Duty and Reserve component requirement for full time child care, as well as innovative and effective ways to meet increased demand due to deployments and servicemember work schedules, regardless of the location of the family

TRANSFORMATION, GLOBAL REBASING, AND BRAC

As the BRAC Commission prepares to receive DOD's list of installations recommended for realignment and closure, military beneficiaries are looking to Congress to ensure that key quality of life benefits and programs remain accessible. Members of the military community, especially retirees, are concerned about the impact base closures will have on their access to health care and the commissary, exchange, and MWR benefits they have earned. They are concerned that the size of the retiree, Guard, and Reserve populations remaining in a location will not be considered in decisions about whether or not to keep commissaries and exchanges open.

In the case of shifts in troop populations because of Service transformation initiatives, such as Army modularity, or the return of servicemembers and families from overseas bases, community members at receiving installations are concerned that existing facilities and programs may be overwhelmed by the increased populations. NMFA does not have a position on whether or not downsizing overseas should occur or how or where troops should be based. Our interest in this discussion is in raising awareness of the imperative that military family and quality of life concerns be considered by policymakers in their decisionmaking process and in the implementation of any rebasing or transformation plans.

Quality of life issues that affect servicemembers and families must be considered on an equal basis with other mission-related tasks in any plan to move troops or to close or realign installations. The quality of life infrastructure needed to support the military community includes housing, quality schools, commissaries, exchanges, child and youth programs, MWR facilities, family centers, chaplains' programs, and medical care. Maintaining this infrastructure cannot be done as an afterthought. Planning must include the preservation of quality of life programs, services, and facilities at closing installations as long as servicemembers and families remain AND

the development of a robust quality of life infrastructure at the receiving installation that is in place before the new families and servicemembers arrive.

Ensuring the availability of quality of life programs, services, and facilities at both closing and receiving installations and easing servicemembers and families' transition from one to another will take additional funding and personnel. DOD must program in the costs of family support and quality of life as part of its base realignment and closure calculations from the beginning, ask for the resources it needs, and then allocate them. It cannot just program in the cost of a new runway or tank maintenance facility; it must also program in the cost of a new child development center or new school, if needed.

NMFA will closely monitor the Army's plan for stabilizing families and servicemembers at one installation for longer assignments. While stabilization has the potential to offer families more stability and a better quality of life, we know that the success of the program depends on the implementation and on the plan for European bases. Families are quick to note that, while they will stay put for a longer time under the plan, the servicemember will still deploy, perhaps frequently, and in many cases to Europe. Concerned about the constant routine of deployment and related family separations on their morale and quality of life, families point out that a deployment to a bare bones installation in Eastern Europe is still a deployment: the servicemember is still gone!

Additionally, NMFA would like to know what consideration has been given to the single soldier. The housing and support service needs will increase for the single soldier if they are expected to stay in one area for 6 to 7 years.

The early moves connected with the Army transformation are causing some upheaval at some installations and in the surrounding communities. The world in which the American overseas downsizing occurred a decade ago no longer exists. Troop movements and installation closings and realignments today occur against the backdrop of the ongoing war on terrorism and a heavy deployment schedule. The military of today is more dependent on contractors and civilian agencies to perform many of the functions formerly performed by uniformed military members. Changes in military health care delivery and the construction and operation of military family housing will have an impact on the ability of an installation to absorb large numbers of servicemembers and families returning from overseas. Increased visibility of issues such as the smooth transition of military children from one school to another and a military spouse's ability to pursue a career means that more family members will expect their leadership to provide additional support in these areas. Army transformation is already having an impact at some continental United States (CONUS) installations. Installations such as Fort Drum, Fort Campbell, and Fort Lewis and their surrounding communities expect strains on housing availability—both on and off-base—health care access, and school capacity. The DOD must ensure that communities have the resources to support increased populations before they arrive.

NMFA urges that every effort be made to preserve the availability of health care, commissaries, exchanges, and MWR programs during shifts in troop populations because of a CONUS BRAC or realignment of troops from overseas. The size of the military retiree, National, Guard and Reserve population in the vicinity of a closing installation and the impact of closure on these beneficiaries should be considered before decisions are made to close commissaries and exchanges. We look to Congress to ensure DOD's plans for these troop shifts will maintain access to quality of life programs and support facilities until the last servicemember and family leaves installations to be closed. In the same manner, we ask you to ensure that houses, schools, child development and youth programs, and community services are in place to accommodate the surge of families a community can expect to receive as a result of the movement of troops to a new location.

STRONG FAMILIES ENSURE A STRONG FORCE

Mr. Chairman, NMFA is grateful to this subcommittee for ensuring funding is available for the vital quality of life components needed by today's force. As you consider the quality of life needs of servicemembers and their families this year, NMFA asks that you remember that the events of the past 3½ years have left this family force drained, yet still committed to their mission. Servicemembers look to their leaders to provide them with the tools to do the job, to enhance predictability, to ensure that their families are cared for, their spouses' career aspirations can be met, and their children are receiving a quality education. They look for signs from you that help is on the way, that their pay reflects the tasks they have been asked to do, and that their hard-earned benefits will continue to be available for themselves, their families, and their survivors, both now and into retirement.

STATEMENT OF DEIRDRE PARKE HOLLEMAN, ESQ., CO-DIRECTOR, NATIONAL MILITARY AND VETERANS ALLIANCE

Ms. HOLLEMAN. Mr. Chairman, I too on behalf of the Alliance, want to thank you very much for allowing us to testify on these crucial issues.

I would also ask that one of our member group's, the Reserve Officers Association, full written statement be made a part of the record.

Senator GRAHAM. Absolutely.

[The prepared statement of General McIntosh follows:]

PREPARED STATEMENT BY MAJOR GENERAL (RET.) ROBERT A. MCINTOSH

INTRODUCTION

The Reserve Officers Association (ROA) applauds the efforts by Congress to address recruiting and retention with several provisions in the National Defense Authorization Act (NDAA) for Fiscal Year 2005. An increase in bonus authorities for Active and Reserve components was passed along with an across the board pay raise of 3.5 percent. Other benefits and compensation changes were targeted towards mobilized reservists.

These changes included TRICARE for Selected Reserve offering medical coverage based of 1 year for every 90 days served and authorizing a percentage of Montgomery G.I. Bill (MGIB). Both of these changes provided benefits after mobilized service. Congress also made permanent the temporary authority for care on the date of issuance of a delayed-effective date Active-Duty order or 90 days before the date on which the period of Active-Duty commences, whichever is later, for Reserve component members called to Active-Duty for a period of more than 30 days in support of a contingency. Another temporary authority was made permanent by authorizing 180 days of transitional health care coverage to certain Active and Reserve members.

Over a decade ago when the country first engaged with Iraq in Operations Desert Shield and Desert Storm there were several military personnel problems identified in mobilizing the Guard and Reserve. These problems included: medical, pay, education, employment, training, equipment and family support. The mobilization for Iraq ended quickly and with the end of one administration and the beginning of another, the scrutiny and interest in fixing the identified problems shifted to events in Somalia, Haiti, and Bosnia. Unfortunately, the problems didn't go away, they just faded to the background until the war on terrorism began with Operations Iraqi Freedom (OIF) and Enduring Freedom (OEF). As discussed above Congress is now working again on those problems.

RECRUITING, RETENTION AND MILITARY PERSONNEL POLICY

There are several challenges facing the services with recruiting, retention and military personnel policy. The Naval Reserve (USNR) recruiting is softer than many of the Navy's leadership would like to admit. The USNR has been slow to implement recruiting bonuses and the result is that the USNR is behind the power curve when compared to the other Services with recruiting incentives for prior servicemembers. The combined recruiting command has falling short of U.S. Navy (USN) and USNR goals, and its Reserves are receiving short shrift for recruiting priorities. Even though the Navy is supporting deep cuts for its Naval Reserve (10,300 in fiscal year 2006) the need to recruit for the USNR has not lessened. To meet its shortcomings, the USNR is turning to activating drilling reservists to fill the recruiter gap. When a problem exists, you call up the Reserves.

- Prior Service Availability: In a 10-year period the Air Force Reserve went from accessing 50,507 in 1992 to 14,564 in 2002 and this trend has continued for the past 3 years. All of the Services are experiencing this trend as the Guard and Reserve have gradually shifted to an operational force. The significance of recruiting fewer prior service personnel is lower average levels of experience residing in the Reserve components and loss of investment in specialty training. According to the Air Force Reserve the most frequent reasons ADAF separatees give for not joining Air Force Reserve component (AFRC) are:
    - Want to wait and see what happens (with world events)
    - Have seen reservists deployed and don't want to risk same
    - Done my time, not interested in continuing

- Have been told reservists are first to be deployed
- Concerned Reserve status will negatively impact civilian employment
- Negative feedback from activated individual mobilization augmentees (IMA)
- Bad press coverage—impression Active Forces place reservists and guardsman on front lines

- Recruiting Non-Prior Service Personnel: A decrease in prior service means an increase in the need for non-prior service personnel to meet recruiting goals. A corresponding increase in the need for training dollars results at a time when the administration wants to decrease budgets. The use of non-prior service also results in less availability of forces as they move through the training pipeline. Once formal professional military education is completed training continues in a member's specialty, which means it can take between 1 to 2 years before an individual can perform duty somewhat independently.
- Mobilization/Demobilization Impacts: The impact of mobilization and demobilization does not rest just with the military member; it also affects their families and employers. This is important to note because they in turn factor in an individuals decision on whether or not to stay in the military.

Two of the biggest problem areas that ROA members continue to share information on are with medical and pay problems.

Comment: I am a mobilized Reserve colonel at Walter Reed with post-traumatic stress disorder (PTSD). The problem I see that reservists and guardsmen are seeing is that the burden of proof for absence of preexisting is on us. I have seen soldiers with severe PTSD (suicidal/homicidal) be valued by the board here at Walter Reed with 0 percent because they concluded he was bipolar when he entered service, never mind the war exacerbating the condition. I am seeing extremely low valuations of disabilities for loss of limb and other traumatic wounds.

Comment: Here's the issue in a nutshell: soldiers, according to the Army Reserve Magazine, are eligible for TRICARE benefits 90 days prior to mobilization. We have a group order from First Army. When soldiers call TRICARE they are told that they cannot be enrolled in TRICARE without an individual order. Soldiers are eligible for this insurance but cannot get it. Individual orders will not come until soldiers arrive at the mobilization station. Basically, we're eligible, but there is no vehicle to provide this insurance. One example, our new officer's wife may be pregnant. (the 2LT type) They currently have no medical coverage. He is covered while on 29 day orders, but his wife has no coverage. According to the Army Reserve Magazine, he should be covered. This is a wonderful benefit, but de facto nothing has changed since individual orders, which are required to get coverage, don't come until the Active-Duty period commences.

Comment: Just wanted you to know that DEERS has dropped my family from TRICARE dental for the 4th or 5th time.

Comment: Well, today is Day 12 of 12 in a row, with a 3-day weekend ahead to recover. Of note, however—and I really hate to continue to bring up pay issues, but I (and hundreds of other recently demobilized reservists) have not been paid our accrued pay—and it's been over 3 months now. Someone has to do something to force DFAS to pay us . . . but who? I'm convinced no one cares or they simply can't fight the bureaucracy. I am owed over $6,000 (after taxes) . . . the issues with DFAS continue—that organization needs to be seriously investigated and heads need to roll! I will have to take out a loan rather than pay with the cash that I earned—how sad is that?

Comment: I just wanted to touch base with you prior to leaving Active-Duty. I wanted to check on the status of any potential article that was being written and also any help from the ROA regarding the way that reservists (especially Army reservists) have been treated with regard to reimbursements and pay. Since October 1st, I have been receiving only one third of my normal paycheck. Fortunately, I will be demobilizing on November 2004. Regardless, a large portion of any article written must include how DFAS (Indianapolis office) made multiple errors and, yet, reservists (and their families) are paying for their mistakes daily.

Comment: In late September I received a letter from DFAS stating that I had received per diem in error and now owed the government $11,696. I contacted an individual at DFAS and he said that the Army had decided to use Department of Defense (DOD) Directive 4515.14 as a guide to determine payment of per diem for soldiers in the Washington DC area. He also

told me that there were lots of other soldiers in the same situation and everyone had been assessed with a debt for travel advances paid. I asked what could be done and he said that he will submit a request for waiver of debt for me to DFAS Denver. A few months later we learned that DFAS Denver had denied waivers close to 900 soldiers in this situation. We attempted to find out from DFAS Denver how to file an appeal of their decision to the Defense Office of Hearings and Appeals (DOHA) and received no help. October 1, I checked my bank account and discovered that my direct deposit was only $548, I quickly determined that amount to be approximately 1/3 of my usual deposit and guessed that DFAS had decided to collect on the debt in the punitive manner of 2/3 confiscation. With no warning from DFAS or the Army that this was about to occur I was placed immediately in a dire financial situation. I sought help from Army Community Services by applying for a no interest loan from Army Emergency Relief only to be denied a loan because I only had 35 days left on Active-Duty, which would not guarantee loan repayment.

• Force Shaping: The U.S. Naval Reserve has become a test bed for Active and Reserve Integration (ARI) and Zero Based Review (ZBR). While these two policies make for good endorsements on transformation, the impact of these policies will have a negative impact on retention.

The bottom line of these new policies has been a recommendation within the Presidential budget of a cut of 10,300 to the USNR in fiscal year 2006. Many within the Naval Reserve question the validity of these recommendations. The near term plan for the USNR is to force shape to Army support; which isn't necessarily preparing the force for the next at sea battle.

The force being fashioned by Iraq is a USNR made up of SeaBee's, security forces, port security, custom agents and intelligence. This will be a more junior force. While the gain may be less in pay and compensation; the cost will be to experience and skillsets.

These cuts and force shaping are based on an ARI which has been more a vision with an accelerated timetable rather than a detailed plan with a time line. In large part it was generated by polling Active-Duty commands for their time-phased force deployment (TPPFD) requirements. Demand for reservists out stripped TPPFD immediately after September 11.

The ZBR which has recommended cutting the Naval Reserve from an end strength of 84,300 to about 64,000 members did not include all of the roles, missions, and demands for reservists. Among the roles left out of this calculation were joint and homeland security requirements.

Ironically, as Congress is being asked to cut the USNR to 70,000 by the USN, the Naval Reserve leadership is telling its Reserve component members that a future increase in end strength may be recommended by the next ZBR in another 4 to 5 years. RIFF and rehire is a failed corporate practice.

The combination of proposed cuts to the USNR and conflicting explanations of future end strength is having negative impact on retention. While naval reservists want to make a contribution and fight the fight, they also feel that advocacy, for USNR roles, is not as comprehensive as it could be. If given a choice between working for the Navy as a Kelly Girl warrior, or in their civilian capacity; the trend will be USNR members will choose careers, as civilians. Promised predictability, periodicity, pay and benefits, reservists are seeing a slow down in promotions, longer periods in non-pay, and benefits that are perceived as not being at parity with the Active-Duty Force. Many junior reservists even question whether they will be allowed to reach retirement.

To reverse a growing trend ROA recommends that we need to:

• Slow down and reduce the cuts planned for fiscal year 2006; at a minimum the cut of 10,300 should be spread out over 4 to 5 years.

• Determine what future roles the USNR will be supporting which could lead to increases in end strength, and;

• Redo the USNR Zero Based Review to include joint and homeland defense requirements. This ZBR should be ongoing rather than periodic.

BENEFITS AND COMPENSATION OVERVIEW

• Cost of a Reserve Component Member: Currently attention is being focused on the personnel costs of maintaining a military force. The Reserve components remain a cost effective means for meeting operational requirements. Most pay and benefits are given on a participating base only. When health care has been extended beyond a participating base it is established with Guard and Reserve members sharing the cost by paying premiums.

Retirement costs are also typically only one-fourth of an Active-Duty retirement. While much has been made of the non-pay benefits provided to military members the cost estimates for a Reserve component member have not factored in non-pay costs that they bring to the table. The military benefits from the civilian employment training and experience.

• Targeting Mobilized Members: As shown in last year's NDAA several of the authorization provisions were targeted towards mobilized members. The language did not take into account that support for the war on terrorism includes a population of Guard and Reserve serving in a voluntary status. The DOD has stated on several occasions that the need for volunteers to meet operations will increase.

PROPOSED LEGISLATION

ROA crafted this year's legislative agenda to address recruiting, retention, and mobilized issues. Consideration was given to budget concerns and the acknowledgement that there could be non-pay solutions.

• Retirement: Several years ago Congress proposed legislation to lower the retirement age. Twice during the 108th the Senate offered this legislation as amendments to other bills and twice they voted it down. ROA reported to their members that the vote was for a budget technicality and not for the legislation per se but quite honestly they didn't care for the packaging. The members saw two things in 2004: the Senate did not support the legislation and DOD made statements against the legislation.

The Reserve components have seen a gradual increase in their peacetime participation and Congress recognized this by increasing the number of points allowed. The Air Force Guard and Reserve increased their participation significantly when the Air Expeditionary Force concept was put into place. The Army recognizes an increased participation as their new reality and is considering a similar program. A mobilization requirement up to 2 years makes further demands. ROA members have stated they feel that military personnel programs need to change in response to this new reality, specifically by reducing the retirement age. ROA encourages Congress to pass reduced retirement legislation while also considering force management options by extending mandatory retirement/separation dates.

Active-Duty, Guard, and Reserve are experiencing medical disabilities with their service in Iraq and Afghanistan. In 2003 and 2004 Congress addressed the issue of concurrent receipt of uniformed services pay and VA disability compensation. As with all legislation, further adjustments of concurrent receipt needs to be addressed to ensure military members are not penalized for receiving disabilities. This matter includes repealing the Survivor Benefit(SBP)/Dependency Indemnity Clause (DIC) offset. ROA encourages Congress to continue refining concurrent receipt legislation to include all disability categories.

• Healthcare: The legislation to extend permanent authorization for 180-day transitional health care coverage overlooked the need to include dental transition assistance. When military members are mobilized they do not necessarily have the time or facilities to take care of needed dental care until after they are demobilized. ROA encourages Congress to extend 180-day transitional dental care.

TRICARE Select Reserve extended military care to demobilized members but did not address the requirement to meet medical standards for worldwide duty before mobilization. ROA encourages Congress to extend TRICARE coverage as an option for Reserve component members during all phases of their service to include consideration for a civilian healthcare premium offset.

• Education: To assist in recruiting efforts for the Marine Reserve ROA urges Congress to reduce the obligation period from 6 years in the Selected Reserve to 4 years in the Selected Reserve and 4 years in the Individual Ready Reserve, thereby remaining a mobilization resource for 8 years.

An area that affects both education and employment is the problem surfacing when Reserve component members demobilized. If their employment is contingent on maintaining special licensing or continuing education requirements, military duty beyond 1 year means they have not maintained their requirements and can no longer be employed. ROA urges legislation that provides a reasonable period to meet State or Federal professional license or certifications.

Comment: I would appreciate your comments on the following situation. The grace period for renewal of my professional license as a merchant marine officer lapsed during my mobilization for Operation Enduring Freedom (OEF). I was mobilized from February 2003 through November 2004. The license expired in June 2003 and the 12 month grace period for renewal lapsed in June 2004. In this situation the U.S. Coast Guard normally requires the individual to retake the entire license examination (a 5 day affair) in order to have the license reinstated. I am seeking an extension or waiver from the 12 month grace period so I can renew the license. I cannot find any provision within Uniformed Services Employment and Reemployment Rights Act (USERRA) or the SSCRA that addresses the continuation of professional licenses that lapse during the period of mobilization.

Comment: I have been a licensed real estate agent for several years. I work through only one real estate firm, but the firm considers me to be an "independent contractor" and not an "employee." I receive no salary—only commissions on the sales that I arrange. The company does not withhold State and Federal income tax from my commissions. I am licensed by the State, and to keep my license current I must complete a substantial continuing professional education requirement. My 5-year license expired in November 2004, while I was on Active-Duty in Iraq. I was recalled to Active-Duty in January 2003 and did not leave Active-Duty until January 2005. After I was released from Active-Duty, I sought to return to work selling real estate. The real estate firm told me that I must not do that because my license has expired and both the firm and I would be in violation of State law if I sold real estate. Now, I am in a real "Catch 22" situation. The real estate courses are expensive. Without income coming in, I cannot afford to take the courses necessary to renew my license. But without my license, I cannot earn income. All of these problems relate to my mobilization. If I had not been mobilized, I would easily have completed the professional education classes in time to renew my license in November 2004. All I am asking for is some time to be allowed to sell real estate while catching up on my professional education requirement.

• Spouse Support: ROA continues to receive feedback on difficulties spouses and caregivers face with employers during mobilization. Extended mobilization has not been an issue since Korea and since that time society has seen an increase in spouse employment. Legislation is needed to respond to the current world situation. ROA urges Congress to update the Family Military Leave Act to include mobilization and consider employment protections similar to USERRA.

Congress and the Services responded to the needs of families during Operations Desert Shield/Desert Storm by extending Family Support to the Guard and Reserve. The war on terrorism is the first true challenge of this program. ROA encourages Congress to continue supporting and providing oversight to Family Support.

Comment: I am a Lieutenant Colonel in the Air National Guard and scheduled to deploy in support of OEF from January to May 2005. My wife works part time at a bank and was denied a leave of absence while I'm gone because, "She is not the one deploying." We have two children, 4 and 8, and she wanted the leave of absence since I wouldn't be there to watch them while she is at work. He supervisor told her that if she needed to stay home and watch the kids, then she should quit her job. She has been working at the bank for over 9 years.

Comment: My husband will be returning from a 120 day deployment to Iraq—I am aware of the laws regarding his 14 day readjustment to civilian life prior to returning to work, is there any such laws for spouses to give them the ability to reconnect with their servicemember?

Comment: My questions is this, my husband has been called to Active-Duty status with the Texas Army National Guard. As of September 1, I will be on TRICARE Health Insurance. Without a lengthy story, I have decided not to continue my employer sponsored health insurance. This was a decision I made to save on the premium cost. My employer has decided to drop my hours below 1,000/yr so that I am not even eligible for the insurance. When my husband returns from his 18 month tour in Iraq, I would like to pick up the health insurance from my employer, unfortunately, that would require a vote from the board and since his return is after the first of the year they may require me to wait until the following year to pick my hours up again.

Comment: Recently my wife was fired from her job for "excessive tardiness." The termination occurred shortly after my return from a 3 week overseas as TDY. When I am home I would take my daughter to daycare which opens at 7 a.m. My wife's job started at 7 a.m. which is why I would take her in. Because I was deployed my wife had to take my daughter in to day care which meant she was approximately 30 minutes late to work everyday. On some occasions her boss would be waiting in the parking lot waiting for her to arrive. On another occasion her boss said to her "why don't you just quit instead of me forcing to fire you." Her boss was informed a head of time about the impending family hardship due to my upcoming deployment. A few weeks after I returned from overseas she was fired.

• Employer Support: ROA continues to see an increase in employment issues for Guard and Reserve members. For years ROA has supported employer tax credits as a way to help offset costs associated with Reserve participation as a way to encourage continued employment. ROA encourages Congress to support tax credits for employers and continue exploring other means with which employers could be supported.

Comment 1: While I cannot provide concrete evidence, there's a pervasive consensus among U.S. Army Reserve soldiers that civilian employers are reluctant to hire them out of concern over potential mobilization. Some return from deployments to find their positions eliminated or outsourced while they were away. A concern of others is the possibility of getting "blacklisted" if such a situation is contested and the soldier wins. (Indeed, you'll only win a fight like this once.)

• Pay and Benefits: ROA understands that DOD has taken a position that they do not want the Reserve component to look like Active-Duty which if you think about it could not be done because they are not a full-time force. Regardless they are reluctant to give the Reserve components the same pay and benefits. There are certain instances though where what has been put in place is not understandable.

- Delete Basic Allowance for Housing II (BAH II) for Reserve components and ensure parity with the standard Basic Allowance for Housing (BAH I). This pay is only given when a member performs duty. To date ROA has not been able to find out why this disparity exists.
- Authorize a housing allowance for Reserve component members without dependents when provided government housing during short periods of Active-Duty or full-time National Guard duty. This is a reflection that Guard and Reserve members do not maintain on-base quarters full-time and have homes off-base that they are responsible for regardless of their duty status.
- Remove the 90-point Inactive-Duty per retirement/retention cap. A research of historical files fails to find why the Reserve components are discriminated against in receiving accounting for duty they perform.
- Delete the 1/30th rule for Aviation Career Incentive Pay, Diving Special Pay, Career Enlisted Flyers Incentive Pay, Hazardous Duty Incentive Pay and Special Duty Assignment Pay. Guard and Reserve have never been able to receive this pay even though they maintain the same standard as Active-Duty because it was typified as incentive pay. With recruiting and retention goals slipping now may be the time to consider granting authority for award of this pay monthly to the Reserve components.

• USERRA: In 2004 a USERRA regulation was posted in the Federal Register but to date it has not yet been published. ROA continues to be contacted on problems between military members and their employers and after publication believe many of these cases will be taken care of in the future at the local level once the USERRA regulation is available to employers. There are still many areas not addressed in the regulations:

- Allow the employee who is absent for service an imputed evaluation (and the pay raise that goes with it) based on his/her average evaluation for the last 3 years before the military-related absence. If the person is a new employee of that employer, the person should receive a catch-up pay raise 3 years after returning to work.
- Exempt from age restrictions for Federal law enforcement when deployment causes the member to miss completion of the application and they agree to buy back retirement eligibility. (100–238)
- Exempt employees from penalties when their insurance lapses if their motor carrier license expires while mobilized (i.e. the Federal Motor Carrier Safety Administration).

• Amend 38 U.S.C. 4323(d)(1)(C)—the "liquidated damages" provision in the amount of $20,000 or the amount of the actual damages, whichever is greater. Provide a provision in section 4324—for Federal executive agencies provision such as found in section 4323—it applies to States, political subdivisions of States, and private employers.
• Devise a method to tie the escalator principle to merit pay systems.
• Update the attorney's fee provision to induce private counsel to take these cases.
• Include the National Oceanic and Atmospheric Administration (NOAA) commissioned corps in the USERRA.

CONCLUSION

DOD, as we all know, is in the middle of executing a war—the global war on terrorism and operations in Iraq are directly associated with that effort. For the Department, worries have emerged about additional spending during these military actions. Almost every initiative to include proposed changes to personnel practices and improvements in compensation programs are quickly placed under a "what will it cost?" scrutiny. It is ROA's view that this scrutiny is too often oriented toward immediate costs with a lack of appropriate regard for long-term benefit versus life cycle costs. This is not to say that prudent, fiscal personnel and budget policies and processes should be ignored. At all times what is being achieved should respectfully be balanced with how something is being achieved.

From a positive aspect, I believe that DOD's work to change and transform are admirable. Although many issues effecting reservists are difficult and complex, the Departments of Defense, Homeland Security, Health and Human Services have all accomplished much in streamlining and updating mobilization and demobilization and in working health care challenges of wounded military members. Proposed improvements in personnel policies and in Reserve training constructs look promising—as long as consideration for Reserve readiness is protected.

Ms. HOLLEMAN. As Ms. Raezer said, my subjects are going to be survivor and military retiree benefits.

Of course, we are all aware that this session of Congress has already focused on two important survivor issues, the death gratuity and Servicemembers' Group Life Insurance (SGLI), the military life insurance plan. The Alliance is very grateful for your efforts to improve both programs and, indeed, to include both in this year's supplemental. We do urge, however, that the increase in the death gratuity apply to all in the line of Active-Duty deaths, as that term is presently defined. As my learned colleague already said, all of these losses should be treated in the same manner. Different treatment would cause great discontent. We hope that in conference, this language will be clarified to acknowledge that the loss and financial needs that all these families suffer are the same and should all be compensated at the same level.

As to SGLI, we simply want to thank you for the changes, and we hope and expect that they will be made permanent.

Our main legislative focus for this session of Congress in the area of survivor benefits, as it was last year, is to correct and improve the Survivor Benefit Plan (SBP). Last year, Congress ended the drop of SBP benefits from 55 to 35 percent when the beneficiary reaches the age of 62 in a 3½-year phase-out. The alliance is very grateful to you for this important change, which will markedly improve the lives of a quarter of a million military widows. But two problems with SBP still remain.

The first is the SBP-Dependency and Indemnity Compensation (DIC) offset. It is a complicated plan, because it is a complicated mesh of two programs. Mr. Strobridge's Military Officers Association of America (MOAA) has created a beautiful publication that will explain in detail the finances involved, and which will save you

from me speaking of today. But we strongly hope that this Congress will end this offset. This takes $1 of SBP payment for every dollar a survivor receives from the VA's DIC payments. This offset badly disadvantages two types of military widows.

The first type is a woman or a man whose spouse served a full career in the military, paid 6.5 percent of his or her retired pay to buy SBP to provide for their survivors and then died of a service-connected disability. This use of the SBP is the sort of behavior that society wishes to encourage. However, all that planning and sacrifice is made totally ineffective due to this offset.

The second group of widows are those covered by the new Active-Duty SBP benefit. This newly created benefit is a hollow one for the vast number of widows or widowers from the present war. Most of the people we are losing during this war are young and in the lower grades, and the DIC payment of $993 a month completely eats up any SBP payment. Meanwhile, the families of the more senior members who are lost are left with much less monthly income to pay for normally more substantial and established debts. It is clear that this offset makes it impossible for the Federal Government to compensate and acknowledge the longer service given by these servicemembers.

Congress obviously intended to help these families when it created this benefit. The offset makes the law ineffective. It should be changed.

The last correction that we would suggest for SBP is moving up the paid-up provision to October 1, 2005. When you created the paid-up provision for SBP, you decided that military retirees who are at least 70 years old and have paid into the program for 30 years could still be covered while paying no additional premium. However, this provision will not go into effect until October 1, 2008. Since SBP started in 1972, we have numerous retirees who reached the 30 years of payments and the age requirement and are still paying. Most of these couples are in their 70s and 80s. This 6.5 percent of the retired pay they are still contributing could make these elderly couples' lives much more comfortable. This change will be an enormous help to these people, and we hope that you can move up the effective date.

While focusing on retired families, we hope that you can, once again, look at concurrent receipt or, as it is now called concurrent retirement and disability payment. Again, I must first thank you for all the steps you have taken to end this unfair offset. I know you will not be surprised that there is more to do.

First, there have been difficulties in implementing last year's accelerated payments for all 100 percent disabled retirees. You may have read in yesterday's Washington Post that the VA's 100 percent unemployables are not being included in these payments. They were included in the basic concurrent receipt phase-out for those 50 percent or more disabled. These are some of the people last year's change was intended to help, the service-connected, seriously disabled who cannot work. Hopefully, this problem will be solved before too long.

We would also like to briefly include for your consideration enlarging the combat-related, special compensation to include medical retirees with less than 20 years of service. These loyal service-

members are not able to serve a full career due to their combat injury, but because of this great sacrifice, they take the full brunt of concurrent receipt. To obtain the normally greater VA disability pay, they must waive their entire or substantial part of their military retired pay. Again, hopefully Congress will be able to look at this inequity.

We know that the House will be having a full hearing later this week on morale, welfare, and recreation (MWR), including commissaries and exchanges. As Ms. Raezer has said, this is a very important benefit, and it is also important to the retirees and survivors. Not only does it mean a great deal of financial savings for them, but it also helps keep their ties to the military world and culture that they love and have dedicated their lives to.

Finally, we request that this subcommittee consider scheduling a hearing on the Former Spouses' Protection Act during this session of Congress. As an attorney who practiced matrimonial law for years, I certainly know that there are strongly held different opinions on how this act has been working out, but a full hearing of the different points of view would, we believe, be helpful to all concerned parties.

Again, thank you very much for the opportunity to speak to you on these issues. I would be happy to try and answer any questions you may have.

[The prepared statement of Ms. Holleman follows:]

PREPARED STATEMENT BY DEIRDRE PARKE HOLLEMAN

Mr. Chairman and distinquished members of the subcommittee. On behalf of the National Military and Veterans Alliance (NMVA) we are very grateful to the subcommittee for this opportunity to appear before you and express our members' views on current issues affecting members of the uniformed services, their families, and survivors.

The NMVA was founded in 1996 as an umbrella organization to be utilized by the various military and veteran associations as a means to work together towards their common goals. Each individual association's membership interests and requirements are represented, understood and promoted within/by NMVA.

The Alliance expands the military and veteran communities ability to present a united front to the Department of Defense (DOD), Department of Veterans Affairs (VA), Congress, and the White House. By working together, the larger voice of the combined associations' memberships and their families help to promote the objectives concerning a wide-range of military quality of life pay, personnel, medical, survivor benefits, military housing and education, veterans, and military retiree issues and legislation.

The NMVA represents almost 5 million members. Collectively, our organizations represent some 80 million Americans—those who serve or have served their county and their families.

American Logistics Association
American Military Retirees Association
American Military Society
American Retirees Association
American WWII Orphans Network
AMVETS
Association of Old Crows
Catholic War Veterans
Class Act Group
Gold Star Wives of America
Korean War Veterans
Legion of Valor
Military Order of the Purple Heart
Military Order of the World Wars
National Association for Uniformed Services
National Gulf War Resource Center
Naval Enlisted Reserve Association
Naval Reserve Association
Paralyzed Veterans of America
Reserve Enlisted Association
Reserve Officers Association
Society of Military Widows
The Retired Enlisted Association
TREA Senior Citizen League
Tragedy Assistance Program for Survivors
Uniformed Services Disabled Retirees
Veterans of Foreign Wars
Vietnam Veterans of America
Women in Search of Equity

The NMVA receives no grants or contracts from the Federal Government.

INTRODUCTION

In this time of war the burdens that are being placed on all members of the uniformed services and their families have grown enormously. At the same time the needs of the uniformed services retired and survivor community are growing. The retiree needs and how our government is responding to them are being studied by our present Active-Duty and Guard and Reserve families as well as the American public at large. While our citizenry is concerned about our National Defense and about those who are now or who have protected our way of life in the past we should move to make improvements in several crucial programs. This is the time that progress can be made.

NATIONAL GUARD AND RESERVE

More than 437,000 Guard and Reserve members have been mobilized since September 11, 2001. This operational tempo has placed enormous strains on reservists, their family members, and their civilian employers. This, the Alliance is well aware, is inevitable in a Total Force structure, but we believe that the National Guard and Reserve's pay, bonuses, benefits, and retirement should reflect these added obligations, multiple activations and increased training requirements. The following briefly outline some of our suggestions for improvements that would make the added obligations of our Guard and Reserve members easier to bear and maintain.

Health Care

The NMVA appreciates the steps you took in the last session of Congress by establishing the TRICARE Reserve Select program and the permanent pre- and post-activation TRICARE coverage. However, these authorities do not provide the coverage necessary to address long-term readiness issues that will continue with the current and future use of our Guard and Reserve members. We still have approximately 20 percent of Guard and Reserve members—40 percent of our junior enlisted force—without health care coverage in their civilian lives. It is our strong recommendation that we provide permanent access to TRICARE, on a cost-share basis, to all Selected Reserve members and their families. We are extremely grateful to Chairman Lindsey Graham's (R–SC) championship of this proposal. S337 would provide the opportunity for all our Guard and Reserve members and their families to purchase a first rate subsidized health care plan. This opportunity would ensure our Nation that our Guard and Reserve members would be medically ready when they are needed while also providing continuity of care for them and their families and a powerful recruiting tool for the Services.

We also believe that Federal payment of civilian health care premiums should be an option for mobilized Guard and Reserve members. Many families prefer to preserve the continuity of their own health insurance rather than switching to TRICARE and frequently pick up the cost of those premiums. The DOD pays the Federal Employees Health Benefits Plan (FEHBP) premiums for its own reservist-employees when they are activated, and we believe that non-Federal employees deserve the same consideration.

Retirement System

When the Reserve Force retirement system was established in 1947, it was assumed that a Guard or Reserve member has a primary career in the civilian sector. The changing and increasing demands on Reserve Forces over the past 14 years have cost tens of thousands of Guard and Reserve members significantly in terms of their civilian retirement accrual, civilian 401(K) contributions and civilian job promotions.

The Reserve retirement system must be adjusted to sustain its value as a complement to civilian retirement. Failing to acknowledge and respond to the changed environment that Guard and Reserve members face will have far reaching effects on Reserve participation and career retention. Again, Chairman Graham's S337 would correct this growing inequity. Depending on years of service and age a member of the Guard and Reserve could start receiving his or her retired pay at age 55. Again in addition to the simple fairness of acknowledging the changed situation this would be another power recruiting and retention tool for the Services to have.

Compensation

Increasing demands on Guard and Reserve members call for changes in their compensation so that the Reserve component can continue to attract and retain those willing to shoulder the added responsibilities.

- Needed improvements include increasing Selected Reserve Montgomery GI Bill (SR MGIB) benefits to 50 percent of the Active-Duty Montgomery

GI bill rate. Recently, the value of the benefit has slipped to 28 percent of the basic program. The Selected Reserve benefit needs to keep pace with the Active-Duty benefit.

• We also recommend lifting the cap on Inactive-Duty points that can be earned annually by a Guard or Reserve member. A limit on the amount of training that can be credited for retirement purposes creates a disincentive to professional development.

• Special and incentive pays need to be increased. Many Guard and Reserve members feel cheated when they receive 1/30th of a month's pay for each day duty is performed for many special and incentive pays. These pays are based upon proficiency, not time. The disparity, even if it is only a perceived disparity, needs to be addressed.

• Changes to the Reserve Duty system need to be considered carefully. We understand why the DOD would wish simplify the duty status for Reserve component members, but any change that would result in the loss of pay must not be implemented.

• Another compensation issue that should be addressed is Basic Allowance for Housing II (BAH II). BAH II is paid to Guard and Reserve members on Active-Duty for less than 140 days instead of the standard, locality-based BAH. BAH II is far less than BAH in most localities and doesn't have anything to do with real housing costs. BAH should be authorized for anyone activated for 30 days or more.

• We believe that full veteran status should be awarded to Guard and Reserve retirees who do not otherwise qualify. Their 20 years of service make them deserving of veterans status.

Stress on Guard and Reserve Forces

The Alliance urges that Congress provides additional resources for Reserve recruitment, retention, and family support to relieve enormous pressure on overstressed Guard and Reserve Forces, as well as a moratorium and review of any manpower draw-downs at this time—when we are calling on these critically important assets to fight our Nation's wars.

Guard/Reserve Family Support Programs

We urge support and funding for a core set of family support programs and benefits that meet the unique needs of geographically dispersed Guard and Reserve families who do not have ready access to military installations or current experience with military life. Programs should promote better communication and enhance education for Reserve component family members about their rights and benefits and available services.

SURVIVOR BENEFIT PROGRAMS

The Alliance wishes to deeply thank this subcommittee for your championship of improvements in the myriad of survivor programs. The Survivor Benefit Plan (SBP), the Death Gratuity, and the Servicemembers' Group Life Insurance (SGLI) plan (though administered through the VA) are all programs under DOD's auspices. Substantial improvements have been made in the last few years. Last year's total abolition of the SBP age 62 benefit reduction in a 3½ year phase out will create a wonderful improvement in the lives of the survivors of the military retirees who dedicated the best years of their lives to a career with our military. However, there are still two remaining issues to deal with to make SBP the program Congress always intended it to be: ending the SBP/Dependency Indemnification Compensation (DIC) offset and moving up the effective date for paid up SBP to October 1, 2005. Senator Bill Nelson's bill S185 would correct both issues. The Alliance urges this committee to support this bill and correct both inequities. As this committee well knows there has already been a substantial push on the Hill this year to increase and improve the death gratuity and SGLI programs. The Alliance hopes that this is the session of Congress when all these problems can be solved.

SBP–DIC Offset

In last year's testimony the Alliance respectfully requested this subcommittee to end the SBP/DIC offset and we are here to again ask you to support this improvement. There are two types of families that are affected by this offset. The first group is the family of a retired member of the uniformed services. At this time the SBP annuity he or she has paid for is offset dollar for dollar for the DIC survivor benefits paid through the VA, This puts a disabled retiree in a very unfortunate position. If he or she is leaving the service disabled it is only wise for him or her to enroll in the Survivor Benefit Plan (indeed he may very well not be insurable in the pri-

vate sector). After all he or she may die from a cause that has nothing to do with his or her military service. But if he or she does die of his service connected diagnosis then again his survivor looses dollar for dollar for what the DIC pays. This is not logical. SBP is a purchased annuity, an earned employee benefit. This is a retirement plan. DIC's name makes clear that it was created for a very different reason. It is an indemnity program to compensate a family for the lose of a loved one due to his or her military service. They are different programs created to fill different purposes and needs. The survivor does receive a pro-rated share of the paid SBP premiums back without interest and taxable in a lump sum. But that cannot make up for the cost and difficulty paying those premiums all those years of retirement caused. If a disabled veteran earns a civilian pension as a Federal civil servant the family will never lose either their survivor payment or their DIC to any offset. The servicemember did what he could to provide for his spouse. This is behavior the Federal Government wishes to encourage. This offset makes his attempts a failure. The offset should be abolished.

The second group affected by this dollar for dollar offset is made up of families whose servicemember died on Active-Duty. Recently Congress created Active-Duty SBP. These servicemembers never had the chance to pay into the SBP program. But clearly Congress intended to give these families a benefit. With the present off-set in place the vast majority of families receive NO benefit from this new program. That is because the vast number of our losses are young men or women in the lower ranks. They will get no benefit whatsoever. The other families affected are servicemembers who have already served a substantial time in the military. Their widow is, if anything left in a worse financial position than the younger widow. (There is no way to estimate the emotional loss to either group of women.) The older widow's will normally not be receiving benefits for her children from either Social Security or the VA and will normally have more substantial financial obligations (mortgages etc.). They also have less time to adjust their financial situation. This woman (or man) is very dependent on the SBP and DIC payments and should be able to receive both. Congress did not mean to give a hollow benefit to either group of people. By ending this off-set the intention of your law can be accomplished.

30 Year Paid Up SBP

In the National Defense Authorization Act for Fiscal Year 1999, Congress created a simple and fair paid up provision for the SBP. A member who had paid into the program for 30 years and reached the age of 70 could stop paying premiums and still have the full protection of the plan for his or her spouse. However, the effective date of this provision is October 1, 2008.

This means that many retirees who signed up for SBP when it first started in 1972 and are well over 70 are still paying premiums to cover their spouses. Moving the effective date back to October 1, 2005 would be an act of simple fairness. Most of the couples affected by this date are both elderly and will never draw anything like they have paid into SBP. Additionally, until all these retirees were paying 10 percent of their retired pay rather than the present 6½ percent today. Moving up this effective date would allow these couples to live in more comfort and ease for the next 3 years.

Death Gratuity Improvement

Since the beginning of this session Congress has been working very hard to improve the immediate death benefits. Presently there are provisions in both the Senate and House supplemental to raise the death gratuity from the present $12,400 to $100,000. However the language in the legislation states that this will apply to those who die "in the line of duty" but the definition of that is left to be determined by the Secretary of Defense. Clarity is crucial at such a traumatic time. It would be a great help if all families whose servicemember relation dies on Active-Duty would be granted this increased benefit. Hopefully, such language may be agreed to during the supplement's conference meetings.

Life Insurance

The fiscal year 2006 Supplemental Budget also includes a provision to raise the limit of available SGLI coverage from $250,000 to $400,000. This is a wonderful improvement and the Alliance urges that present language be retained.

Again, the Alliance is very grateful to both the Senate and the House for their early focus on survivor issues.

RETIREMENT ISSUES

Retirement issues is a varied category because it covers everything in a persons' life. This includes money, health care where they shop and the state of their mar-

riage. The uniformed services is a way of life and a community that does not end when someone retires. This is still the retirees' world and why these issues are essential

Concurrent Receipt of Military Retired Pay and VA Disability Compensation

All the Retiree and Military Organizations in the Alliance are very grateful for the historic movement in ending the 100 year long unfair denial of a military retiree being allowed to collect both his or her retired pay and their service connected disability pay. This dollar for dollar offset will be phased out in 10 yearly steps for those with 50 percent or greater service connected disabilities. Additionally, Congress has ended concurrent receipt completely for longevity retirees with combat related service connected disabilities. These are wonderful steps. But concurrent receipt is as unfair for those who are 10 percent–40 percent disabled as for those whose disabilities are 50 percent and higher. Senator Tim Johnson's bill would cover longevity military retirees with the lower disability ratings. The Alliance urges this subcommittee to support this bill.

The Alliance also strongly urges Congress to correct by statute if necessary the unfair distinction being made in the implementation of last year's immediate restoration retired pay for 100 percent service connected disabled longevity retirees. Again, the Alliance was very pleased with your decision last year to do this. However at this date military longevity retirees who are paid at 100 percent service connected disables because if a determination by the VA of unemployable (IU) are not being included in this speed up. In the VA the two groups of 100 percent disabled are treated exactly the same. They should be treated the same way under this benefit. We have been told that the administration is still studying this question. If the DOD does not act to include this group we hope that Congress will.

Military Health Care

It has been wonderful to see the improvements you have made in the last several years in the health care benefit available to the men and women and their families and survivors who have spent the best years of their lives defending our country. TRICARE for Life and the pharmacy program has greatly improved the life of tens of thousands of retirees. Still there are some problems that should be dealt with. The greatest problem facing all of TRICARE today is reimbursement rates. While this is clearly a matter that is overseen by other committees the provider reimbursement rate for Medicare, which TRICARE is tied to is well known to be insufficient. The problem of finding a civilian health care provider willing to accept TRICARE is more and more difficult. The problem is particularly acute when retirees are not near a TRICARE network. Improving the reimbursement rates for TRICARE health care providers would greatly ameliorate this problem. The Alliance hopes this can be accomplished during the 109th session of Congress.

Uniformed Services Former Spouse Protection Act (USFSPA)

The USFSPA has caused great discontent and inequity for over 20 years. This discontent is above and beyond the normal disappointment and anger caused by any divorce. It is time for a complete study and overhaul of this statute.

The Alliance strongly urges the Senate Armed Services Committee to hold a full hearing on this issue. This hearing could be the basis of a complete analysis of this statute and a consensus might be reached on needed improvements including requiring amount of payments to be linked to the servicemember's rank at the time of the divorce.

Commissary and Exchange Benefits

The Alliance is well aware that this subcommittee will be holding a full hearing this week on morale, welfare, and recreation (MWR) issues including Commissaries and Exchanges. In this present testimony we wish to note that the Commissary and Exchange benefits are vitally important to military retirees, their families and survivors as well as to the active Duty, the Guard and Reserve and their families. The Commissary and Exchange benefits need to remain fully funded and strong for all the members of the Uniformed Services and their families. Additionally the Alliance hopes that Congress encourages the DOD and the Department of State to negotiate agreements with host nations under FOPHA to permit U.S. military retirees to shop at our Commissaries and Exchanges at all overseas locations.

CONCLUSION

This is a time that tries men's souls. There are great and growing requirements being placed upon the Active-Duty and their families, upon the National Guard and Reserve members and their families, upon the uniformed services retirees and their

families and upon all their survivors. They have happily taken up or continued these duties. It is also true that great calls are presently being placed upon the Federal Government. The National Military and Veterans Alliance is enormously grateful for the tremendous progress we have made over the last several years in the areas of retiree, National Guard and Reserve and Reserves, and survivor benefits. These programs are far better at doing their jobs than they were several years ago. But we believe that these programs can be greatly improved by following the suggestions we have made in this testimony. Thank you so much this chance to testify on the Alliances concerns and for the focus and support that all of you have always given to the uniformed services and their families.

Senator GRAHAM. Well, thank you all again. Ask and you shall receive. You all have been very good about telling us what we can do to improve quality-of-life, and we will do the best we can. This war is wearing on our people, and it is wearing out our equipment. Our country has $40 trillion underfunded Medicare, Medicaid, and Social Security, and we have to work all this puzzle together. We will take all of your counsel and advice and do the best we can and get these proposals scored.

Ms. Raezer you testified before the Veterans' Affairs Committee. One thing I think we can do, as quickly as possible, is to make sure that when bad things happen to military people, that that experience is not worsened. It is blunted the best that we can blunt it. When you talk about recruiting, I think it matters about what people hear. There are a lot of stories out there right now about people feeling less than satisfied about what happens to their family when bad things come from military service. If you want to turn recruiting around, I think that is one of the good places to start.

Could you reinforce or restate what you see to be the problem with the casualty assistance program and, for our edification, what we could do to make it better?

Ms. RAEZER. Yes, sir. Actually it was my deputy who testified before that committee on behalf of our association.

But we do believe that there needs to be more consistent, high quality training for the casualty assistance officers (CAOs) and better connections for the survivors at places where they have to access their survivor benefits. Many military families have issues with TRICARE when they move. Survivors who move and have trouble accessing their TRICARE benefit will interpret that problem as a problem because they are a survivor and not simply this is a problem with the TRICARE system.

So what we need to see are folks who are educated about survivor benefits working for the TRICARE contractors, available to help the military treatment facilities in the case of TRICARE, help in the housing arena, if there are issues, so that people know what the survivor benefit is in terms of permission to stay in housing or receipt of a housing allowance. Some of that starts with the CAO, but some of these issues are beyond the scope of what we should expect from a CAO, and the whole system needs to support that.

Senator GRAHAM. For people who are not aware, usually the CAO responsibility is an additional duty for an Active-Duty person.

Ms. RAEZER. Yes, exactly.

Senator GRAHAM. I have actually had that task at one time when I was a Judge Advocate General (JAG) Corps officer. Counseling by the casualty assistance officer—it is really hard. So what we are proposing in the Veterans' Committee, and maybe we will try to build on here, is trying to get more of an institutional component

because the Active-Duty person has TDY commitments. They have military education commitments. They have PCS commitments. We will try to make this more civilian-based. The military involvement is indispensable. Having someone in the unit, someone on base, providing grief counseling and support is indispensable, but on the benefits side, I think you will see an effort to institutionalize this to get better information out, somebody who is going to be there in a more continuous fashion.

Ms. RAEZER. Yes, thank you, sir. I think the long-term issue is very important in that support, and that is why we have recommended a survivors office in the VA, because with these young families, you are going to see survivor questions and issues over a very long time. So that long-term support needs to be somewhere, and we believe perhaps a survivors office in the VA would help that.

Senator GRAHAM. Mr. Strobridge, you are obviously very connected to military people. Do you believe that the problems we are seeing in recruiting and somewhat retention are chronic or acute?

Mr. STROBRIDGE. I definitely think they are chronic, sir. From your discussion, it sounded like we share very common views. I think these things do not happen overnight. What has happened is we have extracted more and more service from the folks in uniform in the hope that we will be able to stop at some point, and it has not stopped. At some point, that starts to wear on people, and stories get into the newspapers, and once that happens, you get—I do not like to use the word "downward spiral" because I do not think we are there, but there is this self-reinforcing issue, where the more problems people have, the more stories you hear about it, the more news gets out, and then people do not want to join and it is harder to get people to stay.

We may talk about how the troops who deploy are the most satisfied troops, and that may be true once. It may be true on the second time. But the third time, their family starts to be very dissatisfied, and then you either have a divorced force or a gone force.

Senator GRAHAM. I think you are absolutely right. Being a military lawyer to a unit that deployed in a Reserve environment, you really have to make this up as you go. There is no family counseling service on base because usually there is no base. There is no day care center. You have to make this up as you go, and we are doing better with it.

But you see pressure from the equipment being over-utilized and a lot of the money that we are trying to extract to go into the capital accounts, particularly in the Navy by reducing personnel and benefits and services. I think we need to understand that that is not the way to fund your capital accounts because it does have a consequence.

This whole idea about how offsets work and how retirees have access to military care is very important to me, because I think it is a word of mouth problem. You want to be fair and you want to make sure that benefit fairness is achieved. But I do not want to leave you with a false impression. I am very much in the reform mold. I am doing all I can for Social Security to put some new ideas and hard choices out there. For the force in the future, we may have to look at these benefit packages anew and let people know

when they come in that the deal may be different, but we are not going to change the deal for anybody that is already in.

Anybody else have anything you would like to share with us?

Mr. STROBRIDGE. Sir, I would just add one comment about your last observation, and I think that is perfectly legitimate. Any program should be able to stand up to scrutiny in my view, but I get concerned, very frankly. I have been in the compensation business since the mid-1970s when things were really terrible. I have been through two down cycles where the Services could not keep enough people and saw that we had to go back and change things. There is a great interest in becoming more efficient. There is a great interest in saying, as we did in the 1986 "Redux" retirement system—there was a big deal at the time—we are not going to change any rules on the people who are already in, but we are going to change them for the people who come in in the future.

At the time we warned folks, if you reduce the incentives for people to stay for a career, the sacrifices of a career do not change. Because civilian retirement changes, the sacrifices of a military career do not change. If we reduce the incentives for people to stay for a career, then fewer people are going to stay.

Senator GRAHAM. I guess what I am saying is we need to logically manage the force from start to bottom and not make false promises that we cannot afford.

The last question is for each of you. We are making a real Yeoman effort, thanks to you and others, to upgrade the benefit packages and upgrade the services. I would like some feedback from your point of view. Offering TRICARE to the Guard and Reserves I think—obviously, I am biased because I wrote the bill—is paying dividends. I think the things that we are talking about with the CAOs and changing the offset rules do matter. Is it penetrating the force out there? I know you represent people maybe not on Active-Duty completely, but is the word getting out? Is it helping?

Mr. STROBRIDGE. I think it is, sir. I think people are very conscious of the things that the committee has done. We are always a little bit sensitive to that too because there are always additional things to be addressed, and sometimes I fear we do not express our appreciation enough for all the great things the committee has done.

Senator GRAHAM. Before we go to the next topic, we need to get everybody focused on what is available.

Mr. STROBRIDGE. In terms of the health care for the Guard and Reserve, we go out and make a conscious effort to go visit the State adjutants general and ask them what their problems are. Invariably to a man, they say the single best thing you could do is extend health care to all Guard and Reserve.

Senator GRAHAM. More than incentive pays?

Mr. STROBRIDGE. Yes, sir. Well, maybe I ought to qualify that. The incentive pays are very important. There is a difference between the cash and the non-cash kinds of benefits.

Senator GRAHAM. Well, security versus immediate gratification. Security trumps that.

Mr. STROBRIDGE. There is a sense the institution is going to look out for you.

Ms. RAEZER. What we hear from families is a plea for continuity of care. This is not a one-size-fits-all population. For some, the ability to have TRICARE when the servicemember is mobilized or with the Reserve Select to be able to stay in it once that servicemember has demobilized may be a solution. For a lot of other Guard and Reserve families, the solution would be for a subsidy to remain in the employer-sponsored insurance because some families are looking for access to insurance, but a lot more, because a lot more have some kind of insurance through their employer, are just looking for continuity. The switch between their employer-sponsored insurance and TRICARE and then back to the employer-sponsored insurance is very difficult for some of these folks. So families look for continuity of care and there is not just one way to get that.

Senator GRAHAM. Senator Nelson.

Senator BEN NELSON. Thank you. I am sorry I had to step out a couple of times. I have constituents in town that think that they need to see me, and I know I need to see them. [Laughter.]

You were here, I believe, and heard the questions I asked about adoption leave as opposed to maternity leave. I wondered if you had any thoughts on that kind of a program. If we are really going to push for a family-friendly military, child care, whether it is maternity oriented or adoption oriented, seems to me to be a high priority.

Ms. RAEZER. Mr. Nelson, one of the top issues that brings phone calls to our association is the adoption issue. A lot of military families want to adopt. They have a lot of difficulties because, as you referenced, they move around. One of the complaints we get is that for some folks it is very hard to convince a commander that having some adoption leave is essential even if they have the leave accumulated. To get that leave at the time when they need it is very difficult. So I would agree with General Osman who said having that in law or in a regulation or some kind of requirement that, yes, you will get adoption leave may be very helpful.

Now, given the high operational tempo and deployment, you are going to have to work out how that is going to work, if the expectation will be that this is a guarantee even if someone is deployed or on a ship. That is something that will have to be worked out because certainly if it is in law, there will be an expectation that people will get this. As you point out, you cannot always time when you need the leave.

Senator BEN NELSON. Moving on to the education requirements and the Impact Aid issue for our schools that are providing, in many cases, excellent educational opportunities and others perhaps in improving the educational environment. Do you have any thoughts about what we could do to make sure that the money follows the impact on the school system where you have transfers in and out because the money does not always follow exactly, and certainly the time frame is not consistent with the poor school's budget.

Ms. RAEZER. As I referenced in my oral statement—and you were out of the room—we agree with you wholeheartedly that this is a very serious issue, and we believe this is something that Congress will need to deal with sooner rather than later. We are already seeing some impact in some communities because of the movements

associated with Army modularity. We have seen problems with housing privatization where there have been significant increases in the housing stock because of the privatization efforts.

We are hearing from school districts serving some installations who believe they are going to get some of those folks coming from Europe, and they are very concerned about school construction, hiring teachers, and having the money ahead of time. So we would ask you to help come up with a plan. Whatever input we can provide to help with that, we would be glad to work on that because we do see a very significant need. Thank you for raising attention to that.

Senator BEN NELSON. Well, let me turn to something that is a bit different but important as well. Repeated and lengthy deployments obviously are taking a toll on the military members, both Active and Reserve, as well as their families. Of course, mental health and family counseling are vital sources for families. In your prepared statement, Ms. Raezer, you endorse efforts to expand access to the full range of mental health and family counseling services regardless of the beneficiaries. Do you have thoughts about how we might expand the services available to make those available to our families and to the members?

Ms. RAEZER. We believe this is another one of those national efforts. The Military OneSource counseling that provides up to six free sessions for relationship issues, just normal return and reunion, or deployment-related adjustments, is one piece of that. We have been pleased to hear that the VA, through the veterans centers, are providing more bereavement counseling for survivors, but also some counseling for folks who cannot access a military facility. We believe that more needs to be done to entice mental health care providers into the TRICARE network. This gets difficult in some places, because there are certain fields and certain areas where there is just a shortage of mental health providers. There is a national shortage of adolescent mental health care, and if we have military children who need these services, that is even worse. So we believe it has to be a combined effort between the DOD, the VA, and civilian communities. We are all working together on behalf of these families.

Senator BEN NELSON. Ms. Holleman, in your prepared statement, you were urging support and funding for family support programs and benefits which obviously are as critical to families as the mental health care and support is as well. We obviously have the geographically challenged in dispersed Guard and Reserve, particularly the families of the Guard and Reserve because of the way in which they are not necessarily located near a military facility where it is otherwise available to them.

Do you have any programs in mind that would help us go through this so we can get better congressional support for providing for those isolated families that are away from the support system?

Ms. HOLLEMAN. Well that, of course, is the problem of all of Guard and Reserve and all the benefits. People are scattered and non-centralized.

As in all things of the day, the immediate answer we all give is computers, or having everything be computerized. Well, it is better

than nothing. It gives you information. It gives you quick information. It answers questions.

But the military is a way of life. It is a community. The ability to talk to other people in your situation is crucial and something that the Active-Duty family has. Ms. Raezer's organization is helping with the Sears Corporation to have a program to have camps for children in this situation, which I think is a marvelous thing. It is wonderful of Sears to have done it.

A lot of this has to be help within communities. It has to be help, unfortunately, in broader communities because you have to bring people in because they are scattered.

Obviously, what Congress could do and what the military could do is help them financially.

But particularly with the Guard and Reserve scattered about, this is a real problem. They need the sociability. They need to talk to people who are looking at the situation they have.

I am sure Ms. Raezer has something to add to that too.

Ms. RAEZER. I agree. The programs that have been put in place since September 11 to support Guard and Reserve families are light years ahead of what was available in the first Gulf War and earlier, but the geographic problems still do cause some isolation. So efforts to improve child care, improve support for those volunteers who need to be encouraged and continuing as Ms. Holleman said, looking at the community for support.

There are several initiatives that are springing up in communities to bring resources together, identify resources to then get that information to Guard and Reserve families where they can go for assistance on various issues. We need more of that. We need more community resources through schools, health care, churches, and civic organizations pulling together to support those families to provide that sense of community that a military installation provides many of the Active-Duty families who live there.

Those kinds of community efforts would also help another population under a lot of stress right now, the recruiters and their families who are out there in the hinterlands.

Senator BEN NELSON. They can be isolated as well.

Ms. RAEZER. Yes, very.

Senator GRAHAM. Thank you all very much. I appreciate it.

We have a statement from the American Legion I believe. Any other organizations that would like to provide a written statement will be allowed to do so, and we will insert them into the record.

[The prepared statement of Dennis Michael Duggan follows:]

PREPARED STATEMENT BY DENNIS MICHAEL DUGGAN

Mr. Chairman: The American Legion is grateful for the opportunity to present its views on defense appropriations for fiscal year 2006. The American Legion values your leadership in assessing and authorizing adequate funding for quality of life features of the Nation's Armed Forces to include the Active, Reserve, and National Guard Forces and their families, as well as quality of life for military retirees and their dependents.

Since September 2001, the United States has been involved in the war against terrorism in Operations Iraqi Freedom (OIF) and Enduring Freedom (OEF). American fighting men and women are again proving they are the best-trained, best-equipped, and best-led military in the world. As Secretary of Defense Donald Rusted has noted, the war in Iraq is part of a long, dangerous global war on terrorism. The war on terrorism is being waged on two fronts: overseas against armed insurgents and at home protecting and securing the homeland. Casualties in the shooting wars,

in terms of those killed and seriously wounded, continue to mount daily. Indeed, most of what we as Americans hold dear is made possible by the peace and stability that the Armed Forces provide by taking the fight to the enemy.

The American Legion adheres to the principle that this Nation's Armed Forces must be well-manned and equipped, not just to pursue war, but to preserve and protect the peace. The American Legion strongly believes past military downsizing was budget-driven rather than threat focused. Once Army divisions, Navy warships and Air Force fighter squadrons are downsized, eliminated or retired from the force structure, they cannot be reconstituted quickly enough to meet new threats or emergency circumstances. The Marine Corps, Army National Guard, and the Reserves have failed to meet their recruiting goals and the Army's stop-loss policies have obscured retention and recruiting needs. Clearly, the Active Army is struggling to meet its recruitment goals. Military morale undoubtedly has been adversely affected by the extension and repetition of Iraq tours of duty.

The administration's fiscal year 2006 budget requests $419.3 billion for defense or about 17 percent of the total budget. The fiscal year 2006 defense budget represents a 4.8 percent increase in defense spending over current funding levels. It also represents about 3.5 percent of our Gross National Product. Active-Duty military manpower end strength is now over 1.388 million. Selected Reserve strength is about 863,300 or reduced by about 25 percent from its strength levels during the Gulf War of 14 years ago.

Mr. Chairman, this budget must advance ongoing efforts to fight the global war on terrorism, sustain and improve quality of life and continue to transform the military. A decade of over use of the military and past underfunding, necessitates a sustained investment. The American Legion believes the budget must continue to address increases in Army end strengths, accelerate improved Active and Reserve components quality of life features, provide increased funding for the concurrent receipt of military retirement pay and Department of Veterans' Affairs (VA) disability compensation ("Veterans Disability Tax"); and elimination of the survivors benefit plan (SBP) and Dependency and Indemnity Compensation (DIC) that continues to penalize military survivors.

If we are to win the war on terror and prepare for the wars of tomorrow, we must take care of the Department of Defense's (DOD) greatest assets—the men and women in uniform. They do us proud in Iraq, Afghanistan and around the world. They need help.

In order to attract and retain the necessary force over the long haul, the Active-Duty Force, Reserves, and National Guard continue to look for talent in an open market place and to compete with the private sector for the best young people this Nation has to offer. If we are to attract them to military service in the Active and Reserve components, we need to count on their patriotism and willingness to sacrifice, to be sure, but we must also provide them the proper incentives. They love their country, but they also love their families—and many have children to support, raise and educate. We have always asked the men and women in uniform to voluntarily risk their lives to defend us; we should not ask them to forego adequate pay and allowances, adequate health care and subject their families to repeated unaccompanied deployments and substandard housing as well. Undoubtedly, retention and recruiting budgets need to be substantially increased if we are to keep and recruit quality servicemembers.

The President's fiscal year 2006 defense budget requests over $105 billion for military pay and allowances, including a 3.1 percent across-the-board pay raise. It also includes billions to improve military housing, putting the Department on track to eliminate most substandard housing by 2007—several years sooner than previously planned. The fiscal year 2005 budget further lowered out-of-pocket housing costs for those living off base. The American Legion encourages the subcommittee to continue the policy of no out-of-pocket housing costs in future years.

Together, these investments in people are critical, because smart weapons are worthless to us unless they are in the hands of smart, well-trained soldiers, sailors, airmen, marines, and Coast Guard personnel.

The American Legion National Commanders have visited American troops in Europe, the Balkans, and South Korea as well as a number of installations throughout the United States, including Walter Reed Army Medical Center and Bethesda National Naval Medical Center. During these visits, they were able to see first hand the urgent, immediate need to address real quality of life challenges faced by servicemembers and their families. Severely wounded servicemembers who have families and are convalescing in military hospitals clearly need to have their incomes increased when they are evacuated from combat zones. Also, the medical evaluation board process needs to be expedited so that military severance and disability retirement pays will be more immediately forthcoming. Our National Com-

manders have spoken with families on Women's and Infants' Compensation (WIC), where quality of life issues for servicemembers, coupled with combat tours and other operational tempos, play a role in recurring recruitment and retention efforts and should come as no surprise. The operational tempo and lengthy deployments, other than combat tours, must be reduced or curtailed. Military missions were on the rise before September 11 and deployment levels remain high. The only way to reduce repetitive overseas tours and the overuse of the Reserves is to increase Active-Duty and perhaps Reserve end strengths for the Services. Military pay must be on a par with the competitive civilian sector. Activated reservists must receive the same equipment, the same pay, and timely health care as Active-Duty personnel. If other benefits, like health care improvements, commissaries, adequate quarters, quality child care and impact aid for DOD education are reduced, they will only serve to further undermine efforts to recruit and retain the brightest and best this Nation has to offer.

To step up efforts to bring in enlistees, all the Army components are increasing the number of recruiters. The Army National Guard sent 1,400 new recruiters into the field last February. The Army Reserve is expanding its recruiting force by about 80 percent. If the recruiting trends and the demand for forces persist, the Pentagon under current policies could eventually "run out" of Reserve Forces for war zone rotation, a Government Accountability Office (GAO) expert warned. The Pentagon projects a need to keep more than 100,000 reservists continuously over the next 3 to 5 years. The Defense Appropriations bill for fiscal year 2005 provides the funding for the first year force level increases of 10,000. The Army's end strength increased 30,000 and the Marine Corps end strength increased 3,000.

Army restructuring will increase the number of Active Army maneuver brigades by 30 percent by fiscal year 2007. The Army National Guard will reach 34 brigades. The Marine Corps will increase by two battalions.

The budget deficit is projected to be $427 billion; the largest in U.S. history and it appears to be heading higher perhaps to $500 billion. National defense spending must not become a casualty of deficit reduction.

FORCE HEALTH PROTECTION (FHP)

As American military forces are again engaged in combat overseas, the health and welfare of deployed troops is of utmost concern to The American Legion. The need for effective coordination between the VA and the DOD in the force protection of U.S. forces is paramount. It has been 14 years since the first Gulf War, yet many of the hazards of the 1991 conflict are still present in the current war.

Prior to the 1991 Gulf War deployment, troops were not systematically given comprehensive pre-deployment health examinations nor were they properly briefed on the potential hazards, such as fallout from depleted uranium munitions they might encounter. Record keeping was poor. Numerous examples of lost or destroyed medical records of Active-Duty and Reserve personnel were identified. Physical examinations (pre- and post-deployment) were not comprehensive and information regarding possible environmental hazard exposures was severely lacking. Although the government had conducted more than 230 research projects at a cost of $240 million, lack of crucial deployment data resulted in many unanswered questions about Gulf War veterans illnesses.

The American Legion would like to specifically identify an element of FHP that deals with DOD's ability to accurately record a servicemember's health status prior to deployment and document or evaluate any changes in his or her health that occurred during deployment. This is exactly the information VA needs to adequately care for and compensate servicemembers for service-related disabilities once they leave Active-Duty. Although DOD has developed post-deployment questionnaires, they still do not fulfill the requirement of "thorough" medical examinations nor do they even require a medical officer to administer the questionnaires. Due to the duration and extent of sustained combat in Operations Iraqi Freedom and Enduring Freedom, the psychological impact on deployed personnel is of utmost concern to The American Legion. VA's ability to adequately care for and compensate our Nation's veterans depends directly on DOD's efforts to maintain proper health records/health surveillance, documentation of troop locations, environmental hazard exposure data and the timely sharing of this information with the VA.

The American Legion strongly urges Congress to mandate separation physical exams for all servicemembers, particularly those who have served in combat zones or have had sustained deployments. DOD reports that only about 20 percent of discharging servicemembers opt to have separation physical exams. During this war on terrorism and frequent deployments with all their strains and stresses, this figure, we believe, should be substantially increased.

MILITARY QUALITY-OF-LIFE

Our major national security concern continues to be the enhancement of the quality-of-life issues for Active-Duty servicemembers, reservists, guardsmen, military retirees, and their families. During the last congressional session, President Bush and Congress made marked improvements in an array of quality-of-life issues for military personnel and their families. These efforts are vital enhancements that must be sustained.

Mr. Chairman: During this period of the war on terrorism, more quality-of-life improvements are required to meet the needs of servicemembers and their families as well as military retiree veterans and their families. For example, the totally inadequate $12,000 death gratuity needs to be increased to $100,000 and the Servicemembers' Group Life Insurance (SGLI) needs to be increased to at least $400,000; the improved Reserve MGIB for education needs to be completely funded as well; combat wounded soldiers who are evacuated from combat zones to military hospitals need to retain their special pay (combat pay, family separation pay, etc) and base pay and allowances during the period of their convalescence continued at the same level to not jeopardize their families financial support during recovery. Furthermore, the medical evaluation board process needs to be expedited so that any adjudicated military severance or military disability retirement payments will be immediately forthcoming; recruiting and retention efforts, to include the provision of more service recruiters, needs to be fully funded as does recruiting advertising. The Defense Health Program and in particular the Uniformed Services University of the Health Sciences must also be fully appropriated.

Likewise, military retiree veterans as well as their survivors, who have served their Country for decades in war and peace, require continued quality-of-life improvements as well. First and foremost, The American Legion strongly urges that full concurrent receipt and Combat-Related Special Compensation (CRSC) be authorized for disabled retirees whether they were retired for longevity (20 or more years of service) or military disability retirement with fewer than 20 years. In particular, The American Legion urges that disabled retirees rated 40 percent and below be authorized CRPD and that disabled retirees rated between 50 percent and 90 percent disabled be authorized non-phased-in concurrent receipt. Additionally, The American Legion strongly urges that all military disability retirees with fewer than 20 years service be authorized to receive CRSC and VA disability compensation provided, of course, they're otherwise eligible for CRSC under the combat-related conditions.

Second, The American Legion urges that the longstanding inequity whereby military survivors have their SBP offset by the DIC be eliminated. This "Widows' Tax" needs to be eliminated as soon as possible. It is blatantly unfair and has penalized deserving military survivors for years. A number of these military survivors were nearly impoverished because of this unfair provision. As with concurrent receipt for disabled retirees, military survivors should receive both SBP and DIC. They have always been entitled to both and should not have to pay for their own DIC. The American Legion will continue to convey that simple, equitable justice is the primary reason to fund full concurrent receipt of military retirement pay as well as the SBP and DIC for military survivors. Not to do so merely continues the same inequity. Both inequities need to be righted by changing the unfair law that prohibits both groups from receiving both forms of compensation.

Mr. Chairman: The American Legion as well as the Armed Forces and veterans continue to owe you and this subcommittee a debt of gratitude for your support of military quality-of-life issues. Nevertheless, your assistance is needed in this budget to overcome old and new threats to retaining and recruiting the finest military in the world. Servicemembers and their families continue to endure physical risks to their well-being and livelihood as well as the forfeiture of personal freedoms that most Americans would find unacceptable. Worldwide deployments have increased significantly and the Nation is at war. The very fact that over 300,000 guardsmen and reservists have been mobilized since September 11, 2001 is first-hand evidence that the United States Army desperately needs to increase its end strengths and maintain those end strengths so as to help facilitate the rotation of Active and Reserve component units to Active combat zones.

The American Legion congratulates and thanks congressional subcommittees such as this one for military and military retiree quality-of-life enhancements contained in past National Defense Appropriations Acts. Continued improvement however are direly needed to include the following:

- Completely Closing the Military Pay Gap with the Private Sector: With U.S. troops battling insurgency and terrorism in Iraq and Afghanistan, The

American Legion supports the proposed 3.1 percent military pay raise as well as increases in Basic Allowance for Housing (BAH).

• Commissaries: The American Legion urges Congress to preserve full Federal subsidizing of the military commissary system and to retain this vital non-pay compensation benefit for use by Active-Duty families, reservist families, military retiree families and 100 percent Service-connected disabled veterans and others.

• DOD Domestic Dependents Elementary and Secondary Schools (DDESS): The American Legion urges the retention and full funding of the DDESS as they have provided a source of high quality education for military children attending schools on military installations.

• Funding the Reserve Montgomery GI Bill (MGIB) for Education.

• Increasing the death gratuity to $100,000 and $400,000 for SGLI for all Active-Duty or activated reservist who are killed or who dies while on Active-Duty after September 11, 2001 during the war on terrorism.

• Improving the pay of severely wounded servicemembers and expediting the medical evaluation board process.

• Providing full concurrent receipt of military retirement pay and VA disability compensation for those disabled retirees rated 40 percent and less; providing non-phased concurrent receipt for those disabled retirees rated between 50 percent and 90 percent disabled by the VA; and authorizing those military disability retirees with fewer than 20 years service to receive both VA disability compensation and CRSC.

• Eliminating the offset of the SBP and DIC for military survivors.

OTHER QUALITY-OF-LIFE INSTITUTIONS

The American Legion strongly believes that quality-of-life issues for retired military members and their families are augmented by certain institutions which we believe need to be annually funded as well. Accordingly, The American Legion believes that Congress and the administration must place high priority on insuring these institutions are adequately funded and maintained:

• The Uniformed Services University of the Health Sciences (USUHS): The American Legion urges Congress to resist any efforts to less than fully fund, downsize, or close the USUHS through the Base Realignment and Closure (BRAC) process. It is a national treasure, which educates and produces military physicians and advanced nursing staffs. We believe it continues to be an economical source of career medical leaders who enhance military health care readiness and excellence and is well-known for providing the finest health care in the world.

• The Armed Forces Retirement Homes: The United States Soldiers' and Airmen's Home (USSAH) in Washington, DC and the United States Naval Home in Gulfport, Mississippi, are under funded as evidenced by the reduction in services to include onsite medical health care and dental care. Increases in fees paid by residents are continually on the rise. The medical facility at the USSAH has been eliminated with residents being referred to VA Medical Centers or Military Treatment Facilities (MTFs) such as Walter Reed Army Medical Center. The American Legion recommends that Congress conduct an independent assessment of these two facilities and the services being provided with an eye toward federally subsidizing these two Homes as appropriate. Both facilities have been recognized as national treasures until recent years when a number of mandated services have been severely reduced and resident fees have been substantially increased.

• Arlington National Cemetery: The American Legion urges that the Arlington National Cemetery be maintained to the highest of standards. We urge also that Congress mandate the eligibility requirements for burial in this prestigious Cemetery Reserved for those who have performed distinguished military service and their spouses and eligible children.

• 2005 Defense Base Realignment and Closure Commission: The American Legion urges that certain base facilities such as military medical facilities, commissaries, exchanges, and training facilities and other quality-of-life facilities be preserved for use by the Active and Reserve components and military retirees and their families.

THE AMERICAN LEGION FAMILY SUPPORT NETWORK

The American Legion continues to demonstrate its support and commitment to the men and women in uniform and their families. The American Legion's Family Support is providing immediate assistance primarily to activated National Guard

families as requested by the Director of the National Guard Bureau. The American Legion Family Support Network has reached out through its Departments and Posts to also support the Army Disabled Soldier Support System (DS3). Many thousands of requests from these families have been received and accommodated by the American Legion Family across the United States. Military family needs have ranged from requests for funds to a variety of everyday chores which need doing while the "man or woman" of the family is gone. The American Legion, whose members have served our Nation in times of adversity, remember how it felt to be separated from family and loved ones. As a grateful Nation, we must ensure than no military family endures those hardships caused by military service, as such service has assured the security, freedom and ideals of our great country.

CONCLUSIONS

Thirty-two years ago, America opted for an All-Volunteer Force to provide for the national defense. Inherent in that commitment was a willingness to invest the needed resources to bring into existence and maintain a competent, professional and well-equipped military. The fiscal year 2006 defense budget, while recognizing the war on terrorism and homeland security, represents another good step in the right direction. Likewise our military retiree veterans and military survivors, who in yesteryear served this Nation for decades, continue to need your help as well.

Mr. Chairman, this concludes our statement.

Ms. RAEZER. Thank you very much.

Ms. HOLLEMAN. Thank you, Mr. Chairman.

Mr. STROBRIDGE. Thank you.

Senator GRAHAM. Thank you very much. Thank you for your testimony.

The hearing is adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR SAXBY CHAMBLISS

DOMESTIC DEPENDENT ELEMENTARY AND SECONDARY SCHOOLS TRANSFER STUDY

1. Senator CHAMBLISS. Dr. Chu, the Domestic Dependent Elementary and Secondary Schools (DDESS) Transfer Study that was recently released recommended transferring most of Department of Defense Education Activity (DODEA) Schools in the United States, to include all of these schools in Georgia, to local school districts. The transfer of these high-quality schools raises concerns within the military and with the local school districts that would have to absorb the additional students.

At Fort Benning, the local school districts have already expressed their concern about the influx of new students based on the activation of a new brigade there under the Army's Modularity Initiative and the delay in receiving Federal Impact Aid funding in advance. Now this report recommends increasing the student population in the Chattahoochee School District outside Fort Benning from under 500 students to over 3,500 students. To say that this change would be significant is an understatement. The report also notes that the transfer of the Linwood Elementary School at Robins Air Force Base in 2001 resulted in the school going from a "National Blue Ribbon School of Excellence" to a school rated as "Not Making Adequate Yearly Progress Under the No-Child Left Behind Act." So, I think a great deal of the concern is very justified.

What does the Department of Defense (DOD) plan to do with this study, and what are the DOD's plans in terms of transferring these schools?

Dr. CHU. Your concerns regarding the recommendations pertaining to the DDESS schools at Fort Benning are appreciated. As you are aware, these recommendations were made by a National Panel of Experts as one part of a three-phase study of all DDESS schools in the continental United States. The overarching purpose of the study was to determine how best to provide quality education to military dependents while balancing the stewardship of taxpayers' dollars. It should be noted that the study was begun prior to Operation Iraqi Freedom as well as prior to planned overseas basing changes, major force structures planned by the Services, and domestic base closures. Based on these activities, the DOD has not formulated a response to the recommendations and took specific action to suspend all deliberations on the study until the Base Realignment and Closure (BRAC) recommendations take legal effect. Further discussions will take place with Congress before any decision is implemented that would transfer students to local education authorities. DOD continues to be committed to assuring that our students receive a quality education and

would not transfer students to a local education agency (LEA) if there were any questions regarding the quality of education or their commitment to students.

With respect to your comments regarding the Linwood Elementary School, the DDESS Transfer Study does not report on the school's status with respect to the No Child Left Behind Act after being transferred to Houston County Schools as the result of a housing privatization initiative. However, in an April 4, 2005, article in the Army Times, Houston County officials state that the rating of failing to make "adequate yearly progress" was due to a mistaken assessment by State education officials, and that upon appeal, the rating was amended.

TRICARE RESERVE SELECT

2. Senator CHAMBLISS. Dr. Chu, as you begin implementing TRICARE Reserve Select (TRS) for reservists, I will be closely following your assessments on how TRS impacts on the readiness and retention of our reservists. I do continue to have some concerns with the medical readiness of our reservists, and I'm studying the best way to address their health readiness issues. I'm not sure that providing every reservist and family member with health care coverage regardless of mobilization status is financially feasible. However, every year, our reservists undergo an annual health assessment that identifies conditions that would potentially make a reservist medically non-deployable. What are your views on whether we could devise a method to treat reservists for conditions identified during their annual screening that would hinder them from deploying?

Dr. CHU. The Department is in the process of revising its periodic health assessment program for the Total Force, with specific focus on how it might best be implemented within the Reserve components. This revised program calls for an annual age and gender specific evidence-based Periodic Health Assessment (PHA) to assess individuals for occupational, familial and behavioral health risk factors and to conduct, as required, specified arid/or directed physical examinations and laboratory testing. The PHA is optimized when it is combined with a review of the individual's records of medical care. As a condition of continued employment, DOD considers every servicemember, whether Active or Reserve component, personally responsible for taking initiatives to meet DOD's individual medical readiness and fitness standards. The annual PHA assessment will identify necessary actions on the part of the individual and the medical community to sustain medical readiness. Resourcing of medical readiness for Reserve component servicemembers is currently the responsibility of the six Reserve components.

Offering medical and dental insurance does not assure that even those who subscribe to the insurance will use it to maintain good health and to seek medical attention early for problems, which are perceived as minor.

TRICARE Reserve Select will not provide a complete picture of medical readiness status because reservists' civilian clinical records are not available to the Department to make a more comprehensive assessment.

SERVICEMEMBERS GROUP LIFE INSURANCE SPOUSAL CONSENT

3. Senator CHAMBLISS. Dr. Chu, I think that many of the steps we have taken in Congress and in the President's budget proposal to increase the benefits for those servicemembers that are killed in action or die on Active-Duty in the global war on terrorism are all positive steps in the right direction. I think raising the value of Servicemembers' Group Life Insurance (SGLI) is the least we could do to honor those who have lost their lives in service to our Nation.

There has been some debate about whether a servicemember's spouse should be involved in the servicemember's decision to pay for a reduced amount, or to name someone other than the servicemember's spouse as the beneficiary. This process would be similar to the consent provisions of the Survivors Benefit Plan (SBP).

What are your thoughts about how and whether or not the consent provisions should apply to SGLI?

Dr. CHU. The Department favors requiring spousal consent when members elect to reduce or decline the amount of SGLI provided or designate any other person as a beneficiary. Additionally, the Department prefers spousal/designee notification be required when members elect to reduce or decline the amount of insurance applicable to such member.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. AKAKA

DEFENSE LANGUAGE TRANSFORMATION ROADMAP

4. Senator AKAKA. Dr. Chu, I am pleased to see that the DOD has taken great efforts to improve the recruitment, retention, and training of individuals with foreign language skills. For example, the Defense Language Transformation Roadmap proposes requiring junior officers to complete language training and making foreign language ability a criterion for general officer and flag officer advancement.

How will the DOD fund these proposals and provide the language teachers needed to make this goal a reality?

Dr. CHU. Language Transformation in the Department is a long-term initiative and we will work closely with the Services to explore the best ways to reach the Roadmap's desired goals. We have been and will continue to work with the members of the Defense Foreign Language Steering Committee (DFLSC) to present various approaches. As to the requirement that junior officers complete language training, we are currently formulating plans to address this action. Funding will be addressed as part of the approval process for the plans.

To improve language proficiency and provide for language teacher training and development, we have worked with Army, which is the executive agent for the Defense Language Institute Foreign Language Center (DLIFLC). We increased DLIFLC funding by $56 million in fiscal year 2005 to fund critical requirements, training development, "crash courses" for deployed forces, and kick off the Proficiency Enhancement Program. For fiscal year 2006, we have included a request for an additional $44.7 million in our budget submission. This will fund critical requirements and continue proficiency enhancement in support of the Intelligence Community needs. In all, we have programmed $362 million over the Fiscal Year Defense Plan (fiscal year 2006–2010) for the DLIFLC to teach to advanced level of proficiency.

5. Senator AKAKA. Dr. Chu, how long will it take to implement this proposal?

Dr. CHU. Language transformation is a long-term initiative involving significant changes to our core competency. Roadmap actions extend through 2010. The Defense Language Transformation Roadmap outlines our plan and we are currently gathering the milestones for each action to track our progress. However, we have already made great strides. We have: (1) assigned responsibility for language to Personnel and Readiness, (2) established Senior Language Authorities at the general/flag officer and Senior Executive Service level in the Services, agencies, and combatant commands, (3) created a Defense Language Office in Personnel and Readiness (P&R), (4) revised our Foreign Area Officer Directive to develop a more robust corps of these elite officers, (5) initiated the Army 09L program to recruit heritage speakers of Arabic, Dari, and Pashto into the Individual Ready Reserve, (6) conducted a study of language and regional expertise in Professional Military Education, and (7) increased funding for the DLIFLC to fund critical requirements and proficiency enhancement.

6. Senator AKAKA. Dr. Chu, is the DOD prepared to provide support to the education community in order to generate individuals who have studied foreign languages and other cultures to a degree of competency so that the DOD has an applicant pool with the critical skills needed from which to recruit?

Dr. CHU. We recognize that support to the education community is essential to generate individuals who have studied foreign languages. In fact, one of the reasons DOD hosted the "National Language Conference: A Call for Action" in June 2004 was to focus on the need to build a language competent nation. At this conference more than 300 representatives identified a number of areas in need of national leadership and presented some recommendations. We hosted a luncheon with other Federal agencies on April 25 to discuss some "ways ahead" in the Federal sector. We are pleased with the interest of our Federal partners and plan to pursue this further.

One asset to the education system is the National Security Education Program (NSEP), created by the "David L. Boren National Security Education Act of 1991," which provides scholarships to outstanding U.S. undergraduate and graduate students to study languages and cultures critical to DOD, the Intelligence Community, and the Nation. Recipients of NSEP scholarships incur a service obligation to seek employment in the national security community. NSEP, through their National Flagship Language Initiative (NFLI), has partnered with U.S. colleges and universities to implement programs of study to expand opportunities to graduate students at the superior levels of foreign language skills. Just recently, NSEP issued a re-

quest for proposals seeking a university to host a new NFLI program: Chinese K–16 Flagship. The selected university will work with an elementary, middle and secondary school system to establish a program that will allow students to pursue Chinese as an integral component of their studies. The contract will be awarded this fall.

While the U.S. education system will serve as the primary source of these language skills, parents, school counselors, and business leaders must encourage students to study more difficult languages. Such changes in our education system will require the involvement of State governments and other concerned government organizations and institutions. We believe that our heritage communities are national assets waiting to be developed. Only by pursuing a nation-wide resolution to the growing demand for language skills will the U.S. be able to meet the complex national security needs of a changing world.

7. Senator AKAKA. Dr. Chu, the Defense Language Transformation Roadmap notes the DOD's plan to coordinate with the NSEP to focus on attracting university students possessing foreign language skills to the DOD. Please provide additional information on the DOD's efforts to recruit individuals with foreign language skills.

Dr. CHU. DOD is exploring innovative ways to guarantee job placement for National Security Education Program graduates. DOD determined that employment with contractors working in direct support of DOD missions could qualify as part of the statutory service requirement for NSEP graduates. This decision resulted in immediate placement of some NSEP graduates in important positions. We are exploring other flexible personnel approaches that would allow Defense and Intelligence agencies to benefit immediately from graduates' knowledge, to include direct hire authorities.

8. Senator AKAKA. Dr. Chu, the Defense Language Transformation Roadmap also notes Departmental efforts to improve language training through study abroad programs and the incorporation of regional area content into language training in order for students to better understand different cultures. Please describe the study abroad opportunities cited in the report.

Dr. CHU. The Roadmap requires the Services to "Exploit 'study abroad' opportunities to facilitate language acquisition." Immersion is a very effective way to acquire and enhance both foreign language and cultural knowledge because the student lives in the culture and is required daily to utilize foreign language and cultural skills. Currently, study abroad opportunities exist in Service academies; Personnel Exchange Programs, where military personnel from two countries swap positions for an assignment; the Olmsted Scholar Program, which is a privately funded opportunity for military personnel to study abroad; the NSEP, which provides funding for study of less commonly taught languages; and the Air Force Language and Area Studies Immersion Program, which gives opportunities to Air Force members to study and travel abroad. Interest in these programs is increasing and we intend to expand these programs.

9. Senator AKAKA. Dr. Chu, how much funding will be set aside for this program?

Dr. CHU. Interest in foreign language. and study abroad is increasing. The number of graduates majoring in a foreign language at the U.S. Military Academy is increasing, as is the number of participants in their study abroad program. However, language transformation is a new initiative and will take a concerted effort and much time. The Defense Language Transformation Roadmap outlines our goals for this implementation. The Services, Joint Staff, and offices within the Office of the Secretary of Defense are currently formulating plans to meet the required actions. Because these plans are still being developed, full costs cannot be cited at this time.

10. Senator AKAKA. Dr. Chu, please provide additional information on how DOD employees will gain cultural understandings as well as language proficiency.

Dr. CHU. DOD employees who attend professional military education currently have the option of taking courses that focus on regional studies. Additionally, DOD civilians may attend special courses on regional knowledge at the Joint Special Operations University, Joint Military Intelligence College, and the Foreign Service Institute. Outside of the Federal system, civilian colleges and universities also offer many courses specializing in regional studies. We intend to encourage more DOD civilians to participate in these opportunities. We also hope to partner with other Federal agencies to identify and share training resources.

11. Senator AKAKA. Dr. Chu, the Roadmap also states that civilian job applications will permit individuals to identify their language skills and regional expertise

on job application forms. What weight will the identification of these skills on the application form have on the hiring of the individual and how will the DOD verify these skills?

Dr. CHU. Several standard questions are asked on civilian job applications, such as, are you a veteran or what is your education level. Asking about language skills is just one other piece of information that we would like to collect, so we could have a database with civilians possessing language skills in case of an emergency situation. If we needed the civilians for their language capability, we would test them at that time. If a job required language skills, then DOD would weight these skills. In those cases, the applicant would be tested on their language capability before employment was offered.

12. Senator AKAKA. Dr. Chu, given the flexibility under the National Security Personnel System (NSPS), what special authorities, in the areas of hiring, classification, and pay, are you considering to improve the recruitment and retention of individuals possessing critical language skills?

Dr. CHU. NSPS provides flexibilities to improve the hiring process, attract high-quality applicants, and enhance the Department's ability to meet critical mission requirements, while preserving principles of merit and veterans' preference. This provides the Department with an expanded set of tools for assigning and reassigning employees in response to mission changes and priorities. The direct hire authority for severe shortages or critical needs, such as critical languages, is vested with the Secretary and DOD will be able to improve and streamline examining procedures to speed up the hiring process. By using new hiring mechanisms and pay setting flexibilities, Department managers will have a greater ability to acquire, advance, and shape their workforce in response to organizational needs and to compete for the best talent.

13. Senator AKAKA. Dr. Chu, does the DOD believe a scholarship for service program, similar to the one detailed in S.589 in the 108th Congress and included in the Intelligence Reform Act of 2004 for employees in the Intelligence Community, would be helpful to recruit individuals with critical language skills?

Dr. CHU. Yes, we do think it would be helpful to have a scholarship for service program to recruit individuals with critical language skills. It would also be helpful to have provisions in place to expedite hiring and non-competitive placement of these individuals. We will look carefully at the provisions of the Intelligence Community program as a model for development of a program to meet DOD's specific requirement.

14. Senator AKAKA. Dr. Chu, the draft White Paper from the National Language Conference hosted by the DOD last June called for national language leadership; the development of cross-sector language and cultural competency; the engagement of Federal, Sate, and local Governments in solving the Nation's language deficiency; the integration of language training across career fields; the development of critical language skills; strengthened teaching capabilities in foreign languages and cultures; the integration of language into education system requirements; and the development and distribution of instructional materials and technological tools for language education. What progress has been made in reaching these goals and what has been or will be the DOD's role?

Dr. CHU. First, if I may, let me clarify that the White Paper from the National Language Conference did not set goals. The White Paper presents recommendations requiring long-term partnerships and collaboration between public, private, and government sectors of society to increase foreign language and cultural capabilities and proficiency. The document highlights the need for strong, focused, visionary national leadership to move the Nation forward in this important arena. It reflects the thoughts of more than 300 leaders and experts from Federal, state and local government, academia, international institutions, language associations and business who participated in the June 2004 Conference.

I am delighted to report that, in agreement with several Federal departments and agencies, my office published the White Paper on April 26, 2005. DOD published the White Paper with the hope of creating dialogue about the issues involved in expanding language capabilities and cultural understanding throughout the United States. We have sent the document to Congress, Governors, State school superintendents, CEOs, language associations, and the conference participants encouraging them to engage this national need.

The Federal sector is already taking on this issue. The Chief Human Capital Officers of several Federal departments have started meeting to fully scope the need for these skills within the workforce and to build collaborative actions and rec-

ommendations. The group includes the Departments of State, Labor, Justice, Commerce, Central Intelligence Agency, Education, Health and Human Services, Homeland Security, the Office of Personnel and Management, and the Office of Management and Budget. While I convened the first meeting, the State Department, in the true sense of partnership, will host the second gathering. This is the start of what we hope will be a strong partnership, as recommended by the White Paper.

EQUAL EMPLOYMENT OPPORTUNITY

15. Senator AKAKA. Dr. Chu, the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Public Law 106–398, included a provision permitting the Department to implement pilot programs to improve the process for the resolution of Equal Employment Opportunity (EEO) complaints. What is the current status of implementing this provision?

Dr. CHU. Pilots were approved in August 2004 for implementation in three DOD components: (1) Department of the Air Force, (2) Defense Commissary Agency (DeCA), and (3) Defense Logistics Agency (DLA). All three pilots are currently operational and will run through August 2006. If, at the end of the pilot period the pilot cannot be properly assessed because an insufficient number of complaints had been processed under the pilot, an extension of 1 year can be granted.

16. Senator AKAKA. Dr. Chu, how do the pilot programs differ from the current EEO Federal sector process?

Dr. CHU. The Department of the Air Force has adopted the name Compressed Orderly Rapid Equitable (CORE) for its pilot. CORE differs from the existing Federal sector process in that increased emphasis is placed upon the use of Alternative Dispute Resolution (ADR); an independent factfinding session conducted by a CORE-trained investigator will replace the current investigation phase; the CORE-trained investigator will draft a proposed agency final decision upon completion of the factfinding investigation; and the opportunity for a hearing before an Equal Employment Opportunity Commission (EEOC) administrative judge has been eliminated. The Air Force pilot will be limited to 31 test bases.

The Defense Commissary Agency Early Resolution Opportunity (ERO) pilot replaces informal counseling with ADR; provides for expedited investigations in cases where ADR is unsuccessful; provides electronic case processing; and shortens time frames at both the informal and formal stages of case processing. The DeCA pilot is limited to 3 zones in the 2 DeCA regional offices covering the continental United States and comprising 23 stores in 3 metropolitan areas.

The DLA Pilot for Expedited Complaint Processing (PCEP) replaces informal counseling with an ADR process. PCEP is available only to employees at the DLA headquarters at Fort Belvoir.

17. Senator AKAKA. Dr. Chu, what provisions and safeguards are included in the pilot programs that allow employees to opt out and participate in the current EEO Federal sector process?

Dr. CHU. EEO professional staff and EEO counselors at the installations participating in the Air Force, DeCA, and DLA pilot programs have been trained regarding opt out procedures. When a civilian employee at a pilot facility contacts an EEO counselor they will be informed about the regular Federal sector complaint procedures and the pilot procedures, including the opt out provisions. If the employee selects the pilot process they will be given more detailed information on the pilot process and opt out provisions emphasized. Whenever an employee opts out of a pilot, he or she will be given an opt out survey form to complete and submit to a DOD pilot program evaluation coordinator located in California.

18. Senator AKAKA. Dr. Chu, given the concern over the lack of an independent adjudicator for labor-management disputes and employee appeals under the NSPS, it is conceivable that more employees will file EEO complaints in an effort to have their cases decided by what may be perceived as a more neutral arbitrator. If so, how will the NSPS interact with EEO pilot programs?

Dr. CHU. NSPS will not affect anti-discrimination laws or regulations, including the EEO complaints process. Employees who are converted to NSPS will have the same access to the EEO complaints process as other employees. While the implementation of NSPS may impact the number of EEO complaints in an organization, we are not planning on conducting the pilots based on whether the organization will be under NSPS. We would also point out that while there may be a perception that NSPS will not have independent adjudicators, the proposed NSPS regulations pro-

vide for independent third party resolution of both labor disputes and adverse action appeals. The proposed National Security Labor Relations Board will be structured to ensure the independence of its Board members; and employees will be able to appeal adverse actions to the Merit Systems Protection Board.

19. Senator AKAKA. Dr. Chu, during congressional consideration of the NSPS in 2003, the DOD testified that NSPS would aid the conversion of military positions to civilian positions. It was estimated at that time that there were approximately 320,000 positions that could be converted. How many positions have been converted to date?

Dr. CHU. Military-to-civilian conversions often take a number of months to complete. The Department has devised a four-step process for crediting conversions. Based on this reporting construct, the Military Services indicate a total of 7,640 military billets were converted during fiscal year 2004. Of these, 4,281 were for the Army; 905 for the Navy, 1,790 for the Air Force, and 664 for the Marine Corps. In addition, 16,176 military-to-civilian conversions were included in the fiscal year 2006 President's budget for fiscal year 2005 and should be credited by the end of the fiscal year barring any schedule delays.

20. Senator AKAKA. Dr. Chu, how many of the converted positions have been subject to competitive sourcing and are now being performed by the private sector?

Dr. CHU. Out of a total of 1,790 Air Force conversions in fiscal year 2004, 595 were a result of competitive sourcing. All of these 595 billets were converted to private sector performance. None of the Army's 4,281 or the Navy's 905 conversions for fiscal year 2004 resulted from competitive sourcing. However, the Army replaced 4,100 National Guardsmen with contract security guards in fiscal year 2004. Out of a total of 664 Marine Corps conversions in fiscal year 2004, 241 were a result of competitive sourcing. However, only 108 of these 241 billets were converted to private sector performance. In total, 836 of the 7,640 fiscal year 2004 military-to-civilian conversions were accomplished through competitive sourcing. Of these, 703 were converted to private sector performance.

21. Senator AKAKA. Dr. Chu, what is the anticipated time line for converting the remaining positions?

Dr. CHU. The fiscal year 2005 President's budget included 16,176 military-to-civilian conversions for fiscal year 2005; 6,434 for fiscal year 2006; and 5,568 for fiscal year 2007. Additional conversions are planned through fiscal year 2011. When aggregated, current estimates for fiscal year 2004 through fiscal year 2011 range from 39,000 to 42,000. Although these numbers are significant, the Department is continuing with its review of over 320,000 active duty military billets in commercial activities that are exempted from conversion. These are positions that can be considered for DOD civilian or private sector performance and the minimum number the Department is committed to reviewing. Also, as the Department completes its Quadrennial Defense Review and progresses with other initiatives, such as Active/Reserve Rebalancing, the number of military conversion could change dramatically. However, it's important to recognize that there are several reasons why not all of the military billets in commercial activities can be converted to DOD civilian or private sector performance. A sizable portion is needed for overseas and sea-to-shore rotation, career progression, wartime assignments, and other similar requirements. The ultimate size of the larger conversion will depend on the merits of each situation within the 300,000-plus positions up for review.

[Whereupon, at 4:30 p.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2006

WEDNESDAY, APRIL 13, 2005

U.S. SENATE,
SUBCOMMITTEE ON PERSONNEL,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

ACTIVE AND RESERVE MILITARY AND CIVILIAN PERSONNEL PROGRAMS

The subcommittee met, pursuant to notice, at 1:34 p.m., in room SR–232A, Russell Senate Office Building, Senator Lindsey O. Graham (chairman of the subcommittee) presiding.

Committee members present: Senators Graham and E. Benjamin Nelson.

Committee staff member present: Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Diana G. Tabler, professional staff member; and Richard F. Walsh, counsel.

Minority staff members present: Gabriella Eisen, research assistant; Gerald J. Leeling, minority counsel; and Peter K. Levine, minority counsel.

Staff assistants present: Nicholas W. West and Pendred K. Wilson.

Committee members' assistants present: Meredith Moseley, assistant to Senator Graham; and Eric Pierce, assistant to Senator Ben Nelson.

OPENING STATEMENT OF SENATOR LINDSEY O. GRAHAM, CHAIRMAN

Senator GRAHAM. Good afternoon. Thank you all for coming.

We are going to be having votes at 1:45, so we will handle that the best we can. Senator Nelson, the ranking member, is on the way, but I thought I would try to do something unusual for the Federal Government: get started on time, and end in an efficient manner here. [Laughter.]

But before we start, to show where our priorities are, General Helmly, you have some soldiers here I understand. Right?

General HELMLY. Yes.

Senator GRAHAM. Do you mind introducing them now?

General HELMLY. I would love to. Thank you.

Sir, I would like to introduce 1st Lieutenant Matthew Brown and Specialist Jeremy Church. Both are veterans of the 724th Transportation Company that was ambushed outside Baghdad on April 9, the 1-year anniversary of the fall of Baghdad. That was the action in which we had several contractors killed, and several contractors wounded. It was the action in which Sergeant Matt Maupin was captured and remains captured to this day.

Specialist Church was recently awarded the Silver Star, the third highest award for heroism in our country. His platoon leader was 1st Lieutenant Brown who was seriously wounded that day.

I am privileged to introduce them to the distinguished members of this committee. [Applause.]

Senator GRAHAM. Thank you for your presence and that is a good reminder of what we are all here to do, to win the fight and take care of those people who are involved in the fight.

The subcommittee will come to order.

The subcommittee meets today to receive testimony on the National Guard and Reserve and civilian personnel programs in review of the defense authorization request for fiscal year 2006.

Last week we had our first subcommittee hearing of the year with Secretary Chu, the Service Personnel Chiefs, and witnesses from The Military Coalition and the National Military Alliance, who testified about key issues relating to the fiscal year 2006 budget. We had a good discussion about legislative proposals, several of which would affect the National Guard and Reserve, proposals such as increased health care benefits under TRICARE, which I am committed to achieving; improved retirement and survivor benefits; and new incentive pays aimed at improving recruiting and retention. I anticipate that we will touch on some of these subjects at this hearing.

Today our focus is on the status of the National Guard and Reserve. As we move into the third year of Operation Iraqi Freedom (OIF), we recognize the continuing stress on the force. We are concerned about the effects of wartime operations on meeting recruiting, retention, and readiness goals. We would like to hear your assessments about these challenges and about the well-being of Reserve and Guard families and the levels of support you are receiving from employers and communities across the Nation.

I am sure our witnesses would agree that the threats our Nation faces today have resulted in difficult but essential reexamination of old ways of organizing, training, and mobilizing our Reserve Forces. We have benefited greatly from their leadership in overcoming many obstacles in wartime, while transforming forces that have distinguished themselves by their accomplishments at home and overseas.

We have two panels before our subcommittee this afternoon. First we will hear from Thomas Hall, the Assistant Secretary of Defense for Reserve Affairs. Welcome, Mr. Hall. Thank you very much. He is joined by Lieutenant General H. Steven Blum, Chief of the National Guard Bureau; Lieutenant General Roger Schultz, Director of the Army National Guard; and Lieutenant General Daniel James, Director of the Air National Guard. Gentlemen, welcome to you all.

General Schultz, I understand that this will be your last appearance before the subcommittee in your capacity as Director of the Army National Guard. Congratulations on your 42 years of Active and Reserve service which began in 1963. Senator Thurmond would have been proud of that. [Laughter.]

I note that you have served since June 1998, almost 7 years, as the Director of the Army National Guard, and that is a record to be proud of. Thank you for your great contribution to our Nation. [Applause.]

Our second panel will consist of the chiefs of the Army, Navy, Marine Corps, and Air Force Reserve, and we would like to ask Secretary Hall to remain and participate on that panel, if you would, sir.

At this time, my partner, a great Senator from Nebraska who has been a joy to work with, Senator Nelson, the ranking member.

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Thank you very much, Mr. Chairman. I want to thank you for holding this important hearing today. I join you in welcoming all of our witnesses, both civilian and military, the leadership responsible for our Guard and Reserve Forces, and to say personally thank you for your kind remarks.

Our Guard and Reserve Forces are facing some very significant challenges this year. We need to understand these challenges so we can authorize sufficient end strength to meet mission requirements and to ensure that our military leaders have the tools they need to recruit and retain the right people.

It is also important that we understand where the Department of Defense (DOD) is going with the end strengths of Reserve components. Right now, I would say that the Department seems to be sending a mixed message. For example, last year DOD proposed, and we authorized, an increase of 300 airmen for the Air Force Reserve. This year DOD proposes to cut that increased end strength by 2,100 airmen. Last year, DOD proposed and we authorized a cut to the Naval Reserve of 2,500 military personnel. This year DOD proposes to cut an additional 10,300. These seem like very significant cuts for a Service with a current end strength of only 83,400.

What we really need to understand is what the Department has in mind over the long haul, and we are not suggesting that there may not be something in mind, but we have to know what it is.

Our Guard and Reserve Forces are being called into Active service at a far higher rate than any of us had ever anticipated. Today 46 percent of the troops in theater for Operation Enduring Freedom (OEF) and OIF are National Guard and Reserve personnel, and they are serving, I might add, magnificently, and for that we are deeply appreciative and very proud of that service.

But the question remains, how long can we keep this up? How long can they keep this up?

Frequent and long deployments have a significant impact on the service man or woman who is called away from home, family, and employment. These mobilizations also significantly impact the family and employers who have to figure out how they can function up to 2 years without the father or mother or a key employee who is off serving his or her Nation.

It is unlikely that the Army National Guard or the Army Reserve will achieve their recruiting goals this year, even though we hope that they will. Despite excellent retention rates, that could put achieving authorized end strengths at risk.

We need to look at recruiting and retention incentives to help them out. Offering the TRICARE health benefit, as you have proposed, Mr. Chairman, is certainly worthy of very serious consideration.

I also believe that the Nation has yet to answer the question about the future role of our Reserve components. What is the role of our National Guard and Reserve Forces in today's National Security Strategy? How should they be integrated into homeland security and homeland defense? Do we need to limit deployments, both in length and number? Just where should our Guard and Reserve Forces fit in the array of military forces available for deployment?

Last year, for example, we authorized a commission on the National Guard and Reserves to help us understand and address issues like these. The members of this commission have not yet been appointed. We need this commission to get up and running to help us understand the needs of our Guard and Reserve Forces.

Our Guard and Reserve Forces must be trained and ready, but obviously, the question is, ready for what? Until we know how they will be used, we do not know what to train them for or even how to equip them. Today it appears that our National Guard and Reserve Forces are primarily forces available for deployment. Would they be better used if they were more integrated into our homeland security/homeland defense mission? If so, they would still be available for deployments, but not first in line. We need to know the vision for the use of our National Guard and Reserves so that we can ensure that they are prepared for that mission.

I must say that as a former Governor, I understand the concerns of current Governors about whether their National Guard personnel will be available to them to respond to State emergencies. I had to use them on several occasions, unfortunately, and they were available. I believe that some States with a high risk of wildfires have a large portion of their National Guard currently deployed overseas. Other States are concerned that they will have to activate National Guard personnel who have just returned from long overseas deployments, but unfortunately, they may not have a choice.

Mr. Chairman, we are all fully aware that our Nation cannot successfully conduct a significant military operation without the participation of our National Guard and Reserve personnel, and I know you know that personally.

So I look forward to the testimony of our witnesses regarding these questions and how we can address the significant problems that they are facing, and therefore, we are facing. Thank you, Mr. Chairman.

Senator GRAHAM. Thank you, Senator Nelson.

Both of us are very excited about this hearing because we want to help. Please be as candid as possible. You will help us immensely to help people like the lieutenant and the specialist here, and that is the goal, to make sure the force has what it needs.

Mr. Secretary, if you want to put your written statement in the record, you may do so, and if you will kick it off and make an opening statement please.

STATEMENT OF HON. THOMAS F. HALL, ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS

Mr. HALL. Thank you. I hate, for many reasons, to see Lieutenant General Schultz leave because I, like he, joined in 1963 when I joined the Navy, which is going to make me the oldest guy around now that the General is gone, and I hate to see that. [Laughter.]

Chairman Graham and Senator Nelson, I want to thank you for the invitation to offer my perspective on the status and ability of America's Reserve components to meet current and future operational requirements.

I also have something a bit different, if it is all right with you. I have talked to my colleagues, and they have agreed it is okay for me to make one opening statement and enter all of our statements in the record, and then get right on with the dialogue that we need.

Senator GRAHAM. That would be fine.

Mr. HALL. Having visited with the Reserve component members all over the world, I would like to offer my perspective, which may assist you in making the critical and difficult decisions you face over the next several months. This committee has been and continues to be very supportive of our Reserve components, and we appreciate that. On behalf of those nearly 1.2 million men and women, I want to publicly thank you for all the help you are providing them. The Secretary and I are deeply grateful. Our military personnel certainly appreciate it, and we know the men and women who serve in the Guard and Reserve can count on your continued support.

As the Assistant Secretary of Defense for Reserve Affairs, I consider it my personal responsibility to visit with our Reserve component members in the field. I forged that view from my 34 years of Active-Duty service and commanding the Naval Reserve for 4 years.

During these visits to the field, I see America's finest young men and women serving their Nation with pride and professionalism, and I have taken to saying—and I believe it in all honesty—that this is the next "greatest generation" we are seeing now. That wonderful World War II generation will always be, but they are quickly forging themselves into the next greatest generation.

I just returned from Central Command (CENTCOM) area of responsibility (AOR) and have recently visited several States and Governors, and I can report to you that our Guard and Reserve men and women are performing vital national security functions at home and around the world in superb fashion. Throughout my travels, I have carefully listened to their comments, their concerns, and suggestions of the young men and women and their families. Many of my remarks will reflect what I hear from them directly on the drill deck and in the field.

We are still in the midst of one of the longest periods of mobilization in our history. This mobilization continues to reveal many areas that need improvement. You have mentioned them. Our Service components remain at a pivotal point, and how we collec-

tively navigate this turbulent period in our history will affect all of our forces, both Active and Reserve for some time to come. Our Reserve Forces are certainly stressed, as you have said, and they always are when the Nation is at war.

Recruiting and retention are demanding tasks in today's environment. We are trying to simultaneous rebalance and transform to meet the challenges of the 21st century while still maintaining a viable warfare footing. We are continuing to closely monitor the impact of the ongoing mobilization of our Guard and Reserve members, their families and their employers. They are the key triad to the long-term viability of our Guard and Reserve.

Some areas of our Reserve components are stressed, and some of these are a result of many factors, which include imbalance in the type of forces and skill sets, uncertainty about the frequency and duration of mobilizations, resourcing of equipment and materiel to reset the Reserve components. I am confident that the modifications you made to the statute in last year's authorization act, as well as management initiatives and policies that we have put in place, will help to mitigate some of the stress. We have more we need to do.

The Secretary of Defense has expressed the need to promote careful use of the Reserve components through a series of force rebalancing initiatives that will allow us to fully employ more of our forces in the war effort. As part of this effort, he directed the military departments to structure the Active and Reserve Forces to reduce the need to always involuntarily mobilize these forces during the initial stages of a conflict, and he asked that all the Services develop planning factors to limit the frequency of involuntary mobilization for our Guard and Reserve Forces.

All of the Services are in the process of doing this. Our efforts are being applied across the spectrum to guarantee we are doing everything we can to achieve success. Examples include aggressively implementing the bonus authorities, making permanent the new TRICARE authorities, increasing our efforts in recruiting and retention, aiding our military families, and ensuring our employers are informed and aware of service requirements. The legislative proposals we are submitting as part of the fiscal year 2006 budget will help in these efforts.

Collectively my colleagues and I look forward to your questions, and again, thank you for this opportunity, Mr. Chairman.

[The prepared statements of Mr. Hall, General Blum, General Schultz, and General James follow:]

PREPARED STATEMENT BY HON. THOMAS F. HALL

INTRODUCTION

Chairman Graham, Senator Nelson, and members of the subcommittee: thank you for the invitation to offer my perspective on the status and ability of America's Reserve component forces to meet current and future operational requirements. I would like to provide information to assist you in making the critical and difficult decisions you face over the next several months. This committee has always been very supportive of our National Guard and Reserve Forces. On behalf of those men and women, I want to publicly thank you for all your help in providing for our Reserve components. The Secretary and I are deeply grateful, our military personnel certainly appreciate it, and we know we can count on your continued support.

THE ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS' MISSION

The mission of the Assistant Secretary of Defense for Reserve Affairs (ASD/RA), as stated in Title 10 of the United States Code (U.S.C.), is the overall supervision of all Reserve components' affairs in the Department of Defense (DOD). I make it a priority to visit with our Reserve component members in the field, and during those visits I see America's finest young men and women serving their Nation with pride and professionalism. Our Guard and Reserve men and women perform, in a superb fashion, vital national security functions at home and around the world, and are closely interlocked with the States, cities, towns, and communities in America. Throughout my travels, I have seen and listened to the men and women in our Guard and Reserve at hundreds of sites throughout the world. My staff and I have spent time with members of the Guard and Reserve, and we have listened carefully to their comments, concerns, and suggestions. As you already know, the stress on the force has increased and we are continuing to closely monitor the impact of that stress on our Guard and Reserve members, on their families and their employers.

In the 3 years since September 11, 2001, our Reserve components have performed extremely well in missions ranging from humanitarian assistance to high intensity combat operations; and in the case of the National Guard, State missions, too. At the same time, these operations have presented a number of challenges, particularly for our ground forces, which carry the weight of our security and stabilization efforts in Iraq and Afghanistan. The continuing challenge is to sustain our military forces for the current operations while meeting our other worldwide commitments.

Currently, the deployment burden is not shared equally among all the Reserve components, but focused on those specific capabilities and skills required for stabilization and security operations in Iraq and Afghanistan. For example, there are currently high demands in theater for Military Police (MPs), Civil Affairs and military intelligence personnel, and engineers. In the Army, large portions of these communities are currently deployed, recently deployed, or scheduled to deploy. Further, since certain of these skills reside predominantly in our Reserve components, we have called upon many of our citizen soldiers to serve, and they have done so admirably.

PURPOSE OF THE RESERVE COMPONENTS

The purpose of the Reserve components has changed. They are no longer a strategic reserve—a force to be held in reserve to be used only in the event of a major war. They are an operational reserve that supports day-to-day defense requirements. They have been an operational reserve ever since we called them up for Operation Desert Shield.

I appreciate the committee's support last year, when you authorized a change to the stated purpose of the Reserve components in title 10 U.S.C. This revision more accurately reflects the way we have employed the Reserve and National Guard over the past decade and how we intend to utilize them in the future.

RESERVE COMPONENT MISSIONS TODAY

The Reserve components have performed a variety of non-traditional missions, as a result of the events of September 11, in support of the global war on terrorism. One such mission is the training of the Iraqi and Afghan national armies. The Reserve components are now providing command and control and advisory support teams in support of the training that will allow Iraqi and Afghan forces to assume a greater role in securing their own countries.

In addition, the Reserve component supports missions in the Balkans, at Guantanamo, in the Sinai, and are found integrated with our Active Forces throughout the world.

By far the most demanding operations are Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). Reserve components currently furnish 46 percent of the troops in theater, and will likely furnish 39 percent in the next rotation. The Reserve components will remain an integral player in homeland defense, in Operation Noble Eagle, and the National Guard will remain a dual-missioned force under both Titles 10 and 32.

POLICIES

Recognizing that the global war on terrorism will last for a number of years, the Department established a strategic approach to ensure the judicious and prudent use of the Reserve components in support of the war effort. The personnel policy guidance published in September 2001 established the guidelines for using the Na-

tional Guard and Reserve to support combatant commander requirements. This policy guidance specified that:

- Reservists should normally be given 30 days notice of mobilization.
- No member of a Reserve component called to involuntary Active-Duty under the current partial mobilization authority shall serve on Active-Duty in excess of 24 cumulative months. (There are no plans to expand the mobilization period to a policy of 24 consecutive months.)
- Reserve members may serve voluntarily for longer periods of time in accordance with Service policy.
- Service Secretaries may release individuals prior to the completion of the period of service for which ordered based on operational requirements.

In July 2002, the personnel policy guidance was expanded to require proactive management of Guard and Reserve members, particularly focusing on husbanding Reserve component resources and being sensitive to the quality-of-life of mobilized personnel and the impact on civilian employers of reservists. This policy guidance contained four key elements:

1. It reemphasized the maximum period of mobilization.
2. It reminded the Services of the requirement to achieve equitable treatment, to the extent possible, among members in the Ready Reserve who are being considered for mobilization—considering the length and nature of previous service, family responsibilities, and civilian employment.
3. It required management of individual expectations, considering morale and retention, by ensuring:
    - Reserve component members are performing essential and meaningful tasks.
    - Reservists are provided as much predictability as possible.
    - Orders are issued in a timely manner, with a goal of 30 days minimum prior to deployment. (Today, early notifications are now the norm, not the exception.)
    - Reservists are provided as much of a "break" as possible before involuntarily recalling the members a second or subsequent time, with a goal of providing a break of at least 24 months.
4. It required tailoring mobilization and demobilization decisions by using both Selected Reserve units and individuals, as well as volunteers, prior to involuntarily calling members of the Individual Ready Reserve (IRR), unless precluded because of critical mission requirements; and maximizing the use of long-term volunteers when possible to meet individual augmentation requirements.

It is within this framework that we have managed the Reserve components. We will continue to assess the impact mobilization and deployments have on Guard and Reserve members and adjust our policies as needed to sustain the Reserve components.

In his July 9, 2003, Rebalancing Forces memo, the Secretary of Defense reiterated the need to promote judicious and prudent use of the Reserve components through a series of force rebalancing initiatives that reduce strain on the force. As part of this effort, he directed the military departments to structure the Active and Reserve Forces to reduce the need for involuntary mobilizations during the first 15 days of a rapid response operation, and to plan involuntary mobilizations, when feasible, to not more than 1 year in every 6 years.

STRESS ON THE FORCE

There has been considerable discussion about the stress that the global war on terrorism is placing on the force—both Active and Reserve. From my perspective, the dominant question is: what level of utilization can the Guard and Reserve sustain while still maintaining a viable Reserve Force?

Answering this question involves a number of issues. But first it is necessary to quantify how much of the Reserve Force we have used as of January 2005 to support the global war on terrorism. Then I will describe the effect that our rate of utilization is having on the Reserve Force.

The overwhelming majority of Guard and Reserve members want to serve, and they want to be part of the victory in this war on terrorism. That is why they joined the Guard or Reserve and that is why they serve this Nation. But we must also be mindful of the Reserve service commitment, which includes drills, annual training, and the requirement to serve on Active-Duty when called. We must do everything we can to provide reasonable service requirements within the context of that commitment by using the Reserve Force wisely. We must also be mindful of the ad-

ditional responsibilities that National Guard members bear to their respective State or territory.

Reserve Utilization to Date

There are two ways to look at rates of mobilization for the Guard and Reserve. The first is to look at all Reserve component members who have served since September 11, 2001—the cumulative approach.

Under the cumulative approach, a total of just under 430,000 Guard and Reserve members have been mobilized between September 11, 2001 and January 31, 2005. That represents just under 37 percent of the 1,160,768 members who have served in the Selected Reserve during this period. Of the total number of Guard and Reserve members who have been activated under the current partial mobilization authority, 67,666 (or 5.8 percent of all members who have served in the Selected Reserve Force since September 11, 2001) have been mobilized more than once. Of the 67,666, a total of 55,650 (4.8 percent) have been mobilized twice, 9,101 (less than 1 percent) have been mobilized three times and just over 2,915 (three tenths of 1 percent) have been mobilized more than three times. No reservist has been involuntarily mobilized for more than 24 cumulative months.

The other way to look at mobilization is in terms of today's force—those who are currently serving. Looking at today's force of 840,596 Reserve component members currently serving, as of January 2005, we have mobilized 364,360 Reserve component members, or 43 percent of the force.

Effects of Reserve Utilization

The Department has monitored the effects of Reserve utilization and stress on the force since 1996. The key factors we track are: (1) end strength attainment; (2) recruiting results; (3) retention; (4) attrition; and (5) employer/reservist relations.

End Strength Attainment

From fiscal year 2000 (just before we entered the global war on terrorism) through 2003, the Reserve components in the aggregate were at or slightly above 100 percent of their authorized end strength. Last year the Reserve components in the aggregate were slightly below their authorized end strength: achieving 98.4 percent.

Recruiting Results

In a very challenging recruiting environment, the DOD Reserve components achieved 96 percent of their fiscal year 2004 recruiting objectives. Four of the six DOD Reserve components achieved their recruiting objectives. The Army National Guard fell short by 7,200 (achieving 87 percent of its recruiting objective), and the Air National Guard fell short by less than 600 (achieving 94 percent). End strength results were stronger, because retention was up in the majority of the components.

Fiscal year 2005 will continue to be a challenging year for Reserve recruiting—particularly in the Reserve components of the Army. During the first 4 months of fiscal year 2005, all of the Reserve components were somewhat below their recruiting objectives, with the exception of the Marine Corps Reserve, which exceeded its year-to-date recruiting objective.

Retention

The requirements to support the global war on terrorism—particularly our commitment in Iraq—have clearly placed a strain on the Reserve Force. Nonetheless, measuring those who reenlist at the completion of their current contract, we find that reenlistments were slightly higher (by about 4,000) in fiscal year 2004 than they were in fiscal year 2003 up from 94.5 percent of goal in fiscal year 2003 to 95.5 percent of goal in fiscal year 2004. This is a very positive trend and appears to be holding for the first 4 months of fiscal year 2005. We are closely monitoring retention, particularly for those members who have been mobilized and deployed to support operations in Iraq and Afghanistan.

Attrition

Measuring all losses, regardless of reason, from the Reserve components, we find that enlisted attrition remained below established ceilings throughout fiscal year 2004, also a very positive trend.

Through January 2005, enlisted attrition is on track to remain below the ceiling established by each Reserve component, except for the Army National Guard. At the current rate, it appears the Army National Guard may end the year at 2 to 3 percent above its established ceiling of 18 percent. The Navy Reserve is 2 percent above its historical attrition rate thus far, but this is the direct result of programmed end strength reduction.

Employer/Reservist Relations

We respond to all inquiries we receive from an employer, family member, or individual guardsmen or reservist. The number of complaints filed with the Department of Labor under the Uniformed Services Employment and Reemployment Rights Act (USERRA) declined each year from 1995 through 2000. Complaints filed during the first 3 years of the global war on terrorism have increased, but the ratio (as seen below) to the total number of duty days of operational support actually declined. For example, over the last 3 years the duty days performed by reservists have tripled in relation to the complaints received.

Mitigation Strategies

The Department has employed several strategies to help reduce the stress on the force. One of the first and most important strategies is to rebalance the force. The purpose of rebalancing is to fashion the force to be responsive, producing the capabilities we need today. The old force was designed to respond to Cold War threats. Rebalancing improves responsiveness and eases stress on units and individuals by building up capabilities in high demand units and skills. This is accomplished by converting capabilities in both the Active and Reserve components that are in lesser demand, changing lower priority structure to higher priority structure, which will result in a new Active component/Reserve component mix. As outlined in the report Rebalancing Forces: Easing the Stress on the Guard and Reserve, which was published January 15, 2004, the rebalancing effort also seeks to establish a limit on involuntary mobilizations to achieve a reasonable and sustainable rate. The force structure planning goal aims to limit the involuntary mobilization of individual reservists to 1 year out of every 6.

The Services are improving their posture with respect to Active component/Reserve component mix by rebalancing about 50,000 spaces between fiscal years 2003 and 2005. The Services have planned and programmed additional rebalancing initiatives for fiscal year 2006 through 2011. The amount and type of rebalancing varies by Service. By 2011 we expect to have rebalanced about 100,000 spaces. The Army, as the largest and the Service most stressed by the global war on terrorism, will have the bulk of the additional rebalancing. Easing stress on the force through rebalancing includes more than just military-to-military conversions.

A second initiative is the conversion of military spaces to DOD civilian positions or contractors. The purpose of this initiative is to move military out of activities not "military essential." The military resources gained through this initiative are being converted to high demand/low density units and stressed career fields, which reduces stress on the force. All the services have an aggressive program to convert military to civilian over the next few years. We converted over 8,400 military spaces to civilian manning in fiscal year 2004 and plan to convert over 16,000 additional in fiscal year 2005.

The application of technology is also being used to offset requirements for military force structure, making more military spaces available to ease the stress in high demand areas. The U.S. Air Force just completed a 2-year joint effort where-in Army Guard personnel furnished security for Air Force installations. This was a very successful interim step until the Air Force could field technology to meet their demands for installation security throughout the world.

Third, to ease the burden on some high demand, low density units and skills, we have employed innovative joint concepts to spread mission requirements across the entire Reserve Force. For example, we have Navy and Air Force personnel augmenting ground forces in Iraq.

A fourth area is innovative force management approaches under our continuum of service construct. This approach maximizes the use of volunteers, provides greater opportunities for reservists who are able to contribute more to do so, and offers innovative accession and affiliation programs to meet specialized skill requirements.

Under the old rules, constraints in end strength and grade accounting hindered the use of Reserve volunteers. Because reservists were counted as Active-Duty end strength and were required to compete for promotion against Active-Duty personnel, reservists were reluctant to volunteer for extended periods of Active-Duty. We are extremely grateful to Congress for removing these barriers with a new strength accounting category that was included in last year's defense authorization act for reservists performing operational support.

I want to take this opportunity to personally thank the committee for its support of our continuum of Service initiatives. These policies and initiatives were developed to preserve the nature of the "citizen soldier" while still allowing us to meet operational requirements. Predictability and reasonable limits on frequency and duration of mobilization are key elements of our policies, which are designed to not only support reservists, but also sustain the support of employers and families, and ulti-

mately enable the components to meet recruitment and retention objectives. Similarly, the emphasis on volunteerism is designed to allow servicemembers who want to shoulder a greater burden of mobilization to do so.

Adhering to these policy guidelines and program changes will allow the Reserve components to sustain a utilization rate not to exceed 17 percent per year in the near future. Our policies limit the mobilization period and limit the frequency with which Reserve component members may be mobilized (e.g., to no more than 1 year in every 6 years). The Department must also complete its rebalancing effort. This will provide reservists with reasonable tour lengths and give reservists, their families, and their employers a reasonable expectation of the Reserve service requirements. We believe that with these parameters, we can sustain a viable Reserve Force and preserve the citizen-soldier.

Meeting Future Requirements

The Army's initiative to create provisional units—drawing upon underutilized skills to meet current mission requirements—and the DOD initiative to draw from skill sets in other components and Services—the joint solution—are the near-term strategies being employed today. We will continue to maximize the use of volunteers when possible. Retiree and IRR members provide a source of volunteers. While volunteers from members of the Selected Reserve are also an option, consideration must be given to pending unit deployments and the need for unit cohesion.

Compared to Operation Desert Storm when we mobilized 30,000 IRR members, we have not used the IRR in as great a number to support the global war on terrorism. In the past 3 years, we have mobilized 8,631 IRR members. The further utilization of the IRR remains a viable option for meeting both near-term and long-term commitments. We must establish the proper expectations for our Reserve component members, their families, their employers, and the public in general. We are undertaking a program to establish those expectations: reasonable service requirements for the 21st century based on the frequency and duration of military duty, and predictability to the greatest extent possible.

For the long term, we will continue to pursue these transformation strategies energetically. Rebalancing the force will continue, as will the conversion of military to civilian positions. The Army's transformation to a modularized structure will significantly help relieve stress on the force.

Specific examples of rebalancing include:

- Forming 18 provisional MP companies from artillery units;
- Converting underused force structure to Civil Affairs, psychological operations, chemical, Special Operating Forces, and intelligence; and
- Transitioning Reserve Naval Coastal Warfare squadrons to the Active component.

The overall objective is to have a flexible force capable of meeting diverse mission requirements.

NATIONAL GUARD UTILIZATION

As evidenced by the three devastating hurricanes that hit Florida or the wildfires that blazed through our western states during 2004, or more recently the flooding in California; the National Guard is a crucial element in a Governor's response to natural disasters. Similarly, the National Guard has a prominent role in supporting local and state authorities in their efforts to manage the consequences of a domestic terrorist attack.

An important part of this effort is the fielding of 55 Weapons of Mass Destruction Civil Support Teams (WMD CSTs), one in each State, Territory and the District of Columbia. These 55 teams are to support our Nation's local first responders as the initial state response in dealing with domestic chemical, biological, radiological, nuclear, or high yield explosives (CBRNE) by identifying the agents/substances, assessing current and projected consequences, advising on response measures and assisting with appropriate requests for additional state support. Each team is comprised of 22 highly-skilled, full-time, well-trained and equipped Army and Air National guardsmen. To date, the Secretary of Defense has certified 32 of the 55 congressionally authorized teams as being operationally ready.

The fight against terrorism and the protection of our homeland will be protracted endeavors. To that end, many outside policy experts, independent panels, and analytic studies have advocated expanded roles for the National Guard in homeland security. Some have even suggested that the National Guard should be reoriented, reequipped, and retrained solely for the homeland security mission.

However, there has been no national strategy change to justify the need to establish a separate role for the National Guard, under which it only performs homeland

security related missions under new statutes or administrative guidelines. There are already sufficient legal mechanisms in place that enable state and territorial governors to employ their National Guard forces in support of local authorities to meet a wide range of these existing missions. For example, in Section 512 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Congress authorized the Secretary of Defense to provide funds to a Governor to employ National Guard units to conduct homeland defense activities the Secretary determines to be necessary.

The National Guard is an integral part of the Air Force and Army Total Force mission capability. Their roles are vital to the survival of the Nation. Therefore, we believe the National Guard should remain a dual-missioned military force.

EFFECT ON RECRUITING AND RETENTION

The high usage of the Reserve component force has been characterized as having a negative effect on Reserve component recruiting and retention. Empirical and anecdotal data do support the conclusion that the extremely high usage rates will have some negative effects. But, those same data also show that low levels of usage have negative effects, too. Our Reserve component members are willing to serve when called. Also, recent analysis indicates that retention is high among Reserve component members whose service and mobilization experiences match their expectations. Our job is to ensure that we use them prudently and judiciously.

As we have seen in the first 4 months of this year, this will be a very challenging year for recruiting in the Reserve components. As I indicated earlier, the Reserve components, with the exception of the Marine Corps Reserve, got off to a slow start. But we are seeing improvements with overall attainment of recruiting objective for the Reserve components increasing from 75 percent in October to 81 percent at the end of January. The Marine Corps Reserve continues to lead all components at 101 percent of its goal through January, even though of the six DOD Reserve components, the Marine Corps Reserve has had the greatest percent of its force utilized since September 11, 2001, to support the global war on terrorism. All other Reserve components except the Army Reserve and Army National Guard have shown great improvement since the beginning of the fiscal year.

To address the recruiting challenges the Reserve components are experiencing, they are expanding their recruiter force and using the new incentive enhancements in last year's authorization act that best meet their needs. The Army National Guard is working closely with the various states and territories to rebalance structure as needed to ensure the states are properly sized to meet their strength objectives. The Air Reserve components are taking advantage of the downsizing of the regular Air Force, and they are examining their incentive structure to ensure that they can attract and retain sufficient manpower resources. Both the Army Reserve and the Army National Guard are reallocating significant manpower and other resources to support a shift in recruiting emphasis on the non-prior Service market.

The Department is formulating legislative proposals to enhance recruiting further. One area in particular where we need further assistance is in providing a reasonable incentive to join the Reserves for servicemembers who have separated but still have a military service obligation. We have a proposal that will do that by making permanent the temporary enhanced bonus authority provided in the fiscal year 2005 supplemental. Also, the Advisory Committee on Military Compensation will be looking at incentive structures and may make suggestions for improvements that they believe will assist us in meeting our recruiting and retention objectives. We have a representative that is part of the staff supporting the commission to ensure the Guard and Reserve compensation issues are part of the commission's review. Finally, the Commission on the National Guard and Reserves will review personnel pay and other forms of compensation as well as other personnel benefits. We plan to work closely with these entities as they assess the compensation and benefits package needed to sustain a healthy National Guard and Reserve.

EFFECT ON FAMILIES

In a recent speech, President Bush stated, "The time of war is a time of sacrifice, especially for our military families." This administration is sensitive to the hardships and challenges faced by Reserve component families, especially when the Reserve component member is called up and away from home for an extended period of time. All families play a critical role in retention and reenlistment decisions.

We have taken an aggressive, Total Force approach to supporting military families. We recognize that many families of National Guard and Reserve members do not live close to a military installation where many of the traditional family support activities are located. To address this problem, we have established over 700 family

support centers around the country. In fact, the National Guard alone has over 400 family support centers. These family support centers are not component or Service specific, but they are available to the family of any servicemember, regardless of component or Service.

For the first time ever, the Department has implemented a 24-hour/7 day a week toll-free family assistance service—Military OneSource. The support provided through this service is particularly important for young families or families of reservists who are not familiar with military service. Military OneSource can assist with referrals for every day problems such as child care and how to obtain health care.

We are also taking maximum advantage of technology—using the worldwide web to provide information that will help families cope with the mobilization and deployment of their spouse, son, daughter, brother, sister, relative or friend. The website includes a "Guide to Reserve Family Member Benefits," which is designed to inform family members about military benefits and entitlements, and a "Family Readiness Tool Kit," which provides information to assist commanders, servicemembers, family members and family program managers in preparing Guard and Reserve members and their families for mobilization, deployment, redeployment/demobilization and family reunions.

RESERVE COMPONENT HEALTH BENEFIT ENHANCEMENTS

The Department is moving forward expeditiously to implement recent benefit enhancements for Reserve component members and their families. Recent legislative action dramatically improved health benefits. You have made permanent an earlier TRICARE eligibility (up to 90 days prior to activation) for certain Reserve component members and the extension of post-mobilization coverage for 180 days.

In April 2005 the Department will implement the premium-based "TRICARE Reserve Select" program, offering medical coverage to reservists and family members who have participated in contingency operations since September 11 and who will commit to continued service in the Selected Reserve. DOD will offer the same coverage available to Active-Duty families under TRICARE Standard, the fee-for-service option of TRICARE. This coverage was originally modeled on Blue Cross and Blue Shield High Option coverage in the Federal Employee Health Benefits Program (FEHBP), and is comparable to many high-quality commercial plans. The statute requires that premiums be set at 28 percent of an amount determined to be reasonable for the coverage. DOD will use the premiums for Blue Cross and Blue Shield Standard option under the FEHBP and adjust them to reflect our population.

Taking care of our servicemembers who have been wounded in combat or may experience adverse psychological effects of armed conflict is one of our highest priorities. To complement and augment service programs such as the Army's Disabled Soldiers Support System (DS3), and the Marine Corps' Marine for Life (M4L), the Office of the Secretary of Defense has opened the Military Severely Injured Joint Support Center. This center is a 24/7 operation to serve as a safety net for any servicemember or family member who has a question or is experiencing a problem.

EFFECT ON EMPLOYERS

The mission of the National Committee for Employer Support of the Guard and Reserve (ESGR) is directly related to retention of the Guard and Reserve Force. ESGR's mission is to "gain and maintain active support from all public and private employers for the men and women of the National Guard and Reserve as defined by demonstrated employer commitment to employee military service." Employer support for employee service in the National Guard and Reserve is an area of emphasis given the continuing demand the global war on terrorism has placed on the Nation's Reserve component and the employers who share this precious manpower resource. We should state up front that the broad-based, nationwide support for our troops by employers has been and continues to be superb. We owe all of our employers a debt of gratitude.

One can grasp a sense of the enormous challenge facing ESGR by considering the following aggregate numbers, which help us understand a dynamic and complex human resource environment. There are 7.4 million employers identified by the U.S. Census Bureau. These employers, from the senior leadership, to the human resource managers, and down to the supervisors, must understand, observe, and apply the tenants of the USERRA. Towards that end, ESGR has established a Customer Service Center hotline (800–336–4590) to provide information, assistance, and gather data on issues related to Reserve component employment. We established the Civilian Employment Information (CEI) database requiring Reserve component members to register their employers in the Defense Manpower Data Center. The synergy de-

rived from linking these databases enables ESGR to measure and manage employment issues.

Misunderstandings between employers and Reserve component members do arise. ESGR Ombudsmen provide "third party assistance" and informal mediation services to employers and Reserve component members. Ombudsmen provide assistance in the resolution of employment conflicts that can result from military service. ESGR has an initiative to train volunteers in mediation techniques to provide more effective service. Mediation training will be expanded when additional resources are available.

Other major initiatives by the ESGR National Staff include:

- Establishing a Defense Advisory Board (DAB) for Employer Support (comprised of senior leadership from the entire spectrum of the employer community) to provide advice on issues critical to shared human capital.
- Transitioning non-warfighting military billets on ESGR staff into DOD civilian positions or contractors in accordance with Secretary of Defense's military transformation initiative.
- Employing information technology systems to create ESGR volunteer manpower efficiencies.
- Initiating a scientific survey of employer attitudes in cooperation with the Uniformed Services University of the Health Sciences.
- Enhancing strategic relationships with employer organizations such as the U.S. Chamber of Commerce, National Federation of Independent Business, Society for Human Resource Management, and professional associations.
- Implementing a follow-up process to promote the mission of "gain and maintain" employer support by encouraging employers to sign a statement of support, review their human resource policies, train managers and supervisors, adopt "over and above" policies, and to become advocates.
- Building on marketing successes achieved in the Civic National Employer Outreach program, involved 9 governors, 2 Senators, 19 mayors, 17 Adjutants General, and exposed ESGR to well over 250,000 employers.
- Gaining significant national exposure in traditional and new media with the singular focus of defining the American employers' role in national security.

EQUIPMENT AND FACILITY READINESS

Equipment Readiness

We're very proud of how the Reserve components are managing the resources they are given to support the war effort. Great strides have been made in the procurement of high-mobility multipurpose wheeled vehicle (HMMWVs), radios, Family of Medium Tactical Vehicles (FMTVs), construction and maintenance equipment, field medical equipment, M4 Carbines, M240B machine guns, and night vision goggles, to name a few.

The Services are looking at the combined effects of high war-time usage rates of equipment along with the harsh operating environment. These factors are causing higher operations and sustainment costs. The Army Depots are working to develop comprehensive repair and rebuild programs to extend the service life of this equipment, both in theater and stateside. Maintenance of aging equipment is a priority of the Department. Over the last 7 years, Depot level funding has averaged 84 percent of the requirement.

We are excited about the future. The Department is focused on the Reserve component efforts to integrate into a cohesive Total Force with the Active component. This will result in a Total Force capable of meeting all requirements through a combination of equipment redistribution from the Active component, new procurements, and sustained maintenance.

Military Construction

The Reserve components' military construction programs will provide new Readiness Centers, Armed Forces Reserve Centers, vehicle maintenance facilities, organizational maintenance shops, and aircraft maintenance facilities for Reserve component missions. These new facilities will continue to address both the new mission and current mission requirements of the Reserve components in support of military transformation programs. Future budget requests will also continue the Department's efforts to improve the quality of life for the Guard and Reserve, which for the non-mobilized reservist, is not normally housing and barracks, but rather where they work and train.

Sustainment/Restoration and Modernization

There is a concerted effort by the Department to increase the sustainment and restoration and modernization funding levels in order to ensure that facilities achieve their full potential, and deliver acceptable performance over their expected service lives. Sustainment provides resources for maintenance and repair activities necessary to keep the facility inventory in proper working order. Restoration and modernization provides resources for improving facilities that have been damaged, need replacement due to excessive age, or need alteration to replace building components or accommodate new building functions. The Reserve component facility readiness ratings will continue to improve as sustainment and restoration and modernization funding is allocated to the most pressing requirements.

Environmental Program

The installation environmental programs managed by each Reserve component continue to be a good news story of professionalism and outstanding efforts to protect, preserve, and enhance the properties entrusted to the Reserve Forces. All Reserve components are positively progressing on implementation of a new environmental management system.

Joint Construction Initiatives

The Reserve components are at the forefront of creating innovative ways to manage scarce military construction (MILCON) dollars. Joint construction is the practice of building one consolidated facility that fills the needs of two or more components. We have a Joint Construction Working Group to assist the Reserve components in identifying, planning, programming, and budgeting joint construction projects for future President's budgets. The goal is to secure a commitment by two or more components to pursue joint construction, identify a lead component, and prepare a Memorandum of Agreement to begin the process. Intuitively, most would agree one building costs less than two of similar size and function, but the benefits extend to reductions in force protection, sustainment dollars, contracting costs, and the additional benefits of cross-service cultural understanding. I thank Congress for their support of this effort, and we will continue to pursue more joint construction opportunities in the future.

FISCAL YEAR 2005 LEGISLATIVE ACTION

Last year's legislative efforts are extremely helpful in managing the Reserve components. Most notable was the ability to allow members to be on Active-Duty without the 179-day rule detracting from mission completion.

Also, the increased bonus and incentive programs will make a difference for the Reserve components in meeting recruiting and retention goals in a very challenging environment. The Services are implementing the enhancements to the Reserve enlistment and reenlistment bonuses, which doubled and in some cases tripled the authorized bonus amount and the new Reserve officer accession/affiliation bonus. These changes will have far-reaching effects on our ability to recruit and retain members.

The improved involuntary access to Reserve component members for enhanced training will enable us to train, mobilize, and deploy. This change provides commanders added flexibility to train for non-traditional emergent missions. It should also decrease the duration of operational mobilizations.

We now have a very supportive set of medical benefits. To ease the transition to the military health care system, reservists and their eligible dependents are now eligible for early access to TRICARE before the member actually reporting for Active-Duty. Eligibility begins upon the member's receipt of orders to Active-Duty in support of a contingency operation or 90 days, whichever is later. Also, the period of transitional health care at the completion of the Active-Duty period is now 180 days—rather than the previous 60 or 120 days, depending on how many years of service the member had completed. Finally, Congress has codified the Reserve health care demonstration program the Department established shortly after September 11, 2001, by waiving the TRICARE deductible payments and allowing for payment of charges above the TRICARE authorized billing ceiling (up to 115 percent) for Reserve component members on Active-Duty (and their family members) for more than 30 days in support of a contingency operation.

In addition to the above, reservists who serve 90 consecutive days in support of a contingency operation and their eligible dependents may now use TRICARE Standard on a cost sharing basis following release from Active-Duty. One year of eligibility is authorized for each 90 consecutive days of service in support of a contingency operation. This program may help improve retention since it requires the member to agree to serve in the Selected Reserve in order to receive the benefit.

CONCLUSION

A mission-ready National Guard and Reserve is a critical element of our National Security Strategy. The requirement for our Reserve components has not, and will not lessen. Our Reserve components will continue with their expanded roles in all facets of the Total Force.

We cannot lose sight of the need to balance their commitment to country with their commitment to family and civilian employers. That is why relieving stress on the force is absolutely essential, rebalancing is so crucial, and ensuring utilization not turn into over-utilization so critical.

Thank you very much for this opportunity to testify on behalf of the greatest Guard and Reserve Force this Nation, and the world, has ever known.

PREPARED STATEMENT BY LT. GEN. H. STEVEN BLUM, ARNG

Mr. Chairman, members of the subcommittee, thank you for inviting me to update you on our continuing efforts to meet the challenges of the 21st century national security environment. The National Guard is a fully integrated member of the Joint Force team, firmly resolved to play its role in defending freedom here at home and abroad. As the members of the subcommittee are well aware, the national security environment has changed dramatically in a very short period of time. Working in concert with the Army and the Air Force, we are determined to make the changes necessary in order to meet this rapidly evolving environment head on.

The state level Joint Force Headquarters represent a comprehensive structural command and control response to the evolving requirements of the post-September 11 security environment. Joint Force Headquarters—State represents the centerpiece of the National Guard effort to transform in response to a changing security environment. These headquarters allow for a coordinated response that cuts across local, State, Federal, and joint military lines in ways that were simply not possible before. For example, these organizations provide Northern Command with state-based organizations capable of acting as an essential interface with local governments; a key capability in meeting national homeland defense needs.

Though the Joint Force Headquarters concept is still new, it has already achieved notable successes. These headquarters, acting in their new role, successfully managed operations supporting both the Democratic and Republican National Conventions. Joint Force Headquarters have proven highly successful in facilitating the interagency, State, and local communication and coordination requirements associated with Operation Vigilant Guard. They provide the capability to enhance the Weapons of Mass Destruction Civilian Support Teams (WMD CSTs) with consequence management capabilities (CERFP). They provide a ready made headquarters for the coordination of existing joint National Guard activities including counterdrug operations and other types of military support to civil authorities. In a very real sense, the Joint Force Headquarters represent a revolution in the ability to exercise effective command and control from the national to the local level.

The Joint Force Headquarters represents the structural transformation of the Guard at the State and local level. Recent reforms in the title 32 language represent the statutory changes essential to allow the Joint Force Headquarters construct to reach its full potential.

The changes enacted in the statutory language by the 108th Congress provide a host of improvements that facilitate the use of State National Guard personnel in meeting the needs of the Homeland Defense mission. The new authority allows the States to react to a Federal emergency within hours, rather than days or even weeks. Missions of interest to national security can be accomplished at the State and local levels, where flexibility, rapid decision making, and decentralized execution are the keys to successful mission accomplishment. Full implementation of the new Title 32 authority will also represent a significant economy of force, as states can make more effective use of their own Guard personnel and assets, thus raising the bar for commitment of Federal troops. Taken together with the Joint Force Headquarters concept, the reformed Title 32 language represents a real transformation in Guard capabilities at the State and local levels, and we are anxiously awaiting implementation guidance.

While emerging missions, changing force structure and equipment requirements are all pressing, our primary focus remains on the men and women who make up our organization. The National Guard is working aggressively to address the growing end strength issues associated with the continuing stress on the force. We have deployed over 1,400 additional recruiters across the Nation, with an additional 500 to be deployed by September 30. This will significantly enhance our ability to attract and process new accessions. At the same time, Congress has supported the develop-

ment of greatly enhanced enlistment bonuses, which will positively affect our strength numbers. Of particular note is the authority included in the fiscal year 2005 supplemental, which provided for a variety of enhanced bonuses, including bonus increases for prior service soldiers contracting for 6 year enlistments. Other bonus enhancements, including increased bonuses for non-prior service enlistments and similar incentives for re-enlistments and extensions will have significant beneficial effects on the Guard's ability to meet our end strength goals.

We are already beginning to see some signs of a turn-around in our recruiting and retention numbers, though we have a long way to go in achieving our year-end strength goals. With the initiatives currently in place and the continuing support of Congress, the National Guard will continue to recruit and retain high quality men and women in the months and years ahead.

Even as we take the necessary steps to meet our strength goals, we also recognize that soldiers are only as good as the training and equipment they receive to accomplish their missions. We are working closely with the Army and Air Force leadership to ensure that our individual and collective training needs are known and that our equipment requirements are clearly understood.

Equipping needs for the National Guard fall into three broad categories, including general equipment modernization requirements for the Army and Air National Guard, the Army National Guard requirement for equipment reset, and implementation of the Army Modular Force. Army National Guard equipment modernization shortfalls for the period fiscal year 2006–fiscal year 2011 total approximately $14.589 billion and include high-mobility multipurpose wheeled vehicles, small arms, night vision devices and tactical radios. Air National Guard equipment shortfalls over the same period total approximately $4.934 billion over the same period, including F–16 Pods, A–10 Pods, C–130H2 APN Radars, and the F–15 Joint Helmet Mounted Cueing System.

Army National Guard participation in the Army Modular Force initiative represents a critical component in the seamless integration of the Active and Reserve component force structure. The Army has included Army National Guard Brigade Combat Team costs in their funding strategy. This plan outlines $3.0 billion in resourcing requirements for the Army Modular Force from fiscal year 2005 through fiscal year 2007.

Reset costs associated with Operation Iraqi Freedom and Operations Enduring Freedom represent another critical resource requirement for the Army National Guard. At present, $855 million in reset costs were included in the fiscal year 2005 supplemental request. Reset costs of approximately $850 million annually will result in a total reset resourcing requirement of approximately $2.55 billion from fiscal year 2005 through fiscal year 2007.

I am tremendously proud of the men and women of the National Guard and the superlative job they are doing for this Nation. I am optimistic that with your help, our organization will emerge from the global war on terrorism stronger and more vital to the defense of freedom than at any time on our Nation's history.

Thank you.

PREPARED STATEMENT BY LT. GEN. ROGER C. SCHULTZ, ARNG

Mr. Chairman, members of the subcommittee, thank you for inviting me to update you on our continuing efforts to meet the challenges of the 21st century national security environment. The Army National Guard is a fully integrated member of the Army, firmly resolved to play its role in defending freedom here at home and abroad. As the members of the subcommittee are well aware, the national security environment has changed dramatically in a very short period of time. Working in concert with the Army Reserve, the Army, and the other Services, we are determined to make the changes necessary in order to meet this rapidly evolving environment head on.

While the requirements of the global war on terrorism are challenging the Guard in many ways, our primary focus remains on the men and women who make up our organization. The Army National Guard is working aggressively to address the growing end strength issues associated with the continuing stress on the force. We have deployed over 1,400 additional recruiters across the Nation already this year, with 500 more to be deployed by the end of the year, which will significantly enhance our ability to attract and process new accessions. At the same time, Congress has supported the development of greatly enhanced enlistment bonuses, which will positively affect our strength numbers. Of particular note is the authority included in the fiscal year 2005 supplemental, which provided for a variety of enhanced bonuses, including bonus increases for prior service soldiers contracting to serve in the

Selected Reserve. Other bonus enhancements, including increased bonuses for non-prior service enlistments and similar incentives for re-enlistments and extensions will have significant beneficial effects on the Guard's ability to meet our end strength goals.

We are already beginning to see some signs of a turn-around in our recruiting and retention numbers, though we have a long way to go in achieving our year-end strength goals. With the initiatives currently in place and the continuing support of Congress, the Army National Guard will continue to recruit and retain high quality men and women in the months and years ahead.

In addition to the numerous recruiting and retention initiatives for Guard members, we continue to pursue other means of reducing the financial burdens imposed by the lengthy deployment on some mobilized Guard personnel. We are in favor of tax credits for small businesses owned by or hiring Guard soldiers. We are examining a number of other potential tax incentives for mobilized Guard soldiers, all of which would serve to alleviate the financial stresses experienced by some personnel.

While recruiting and retention bonuses and tax incentives address many of our soldiers' needs, we are also focused on ensuring their quality-of-life in other ways. We continue to work with the Army to streamline the pre-deployment mobilization processes. We also want to ensure that deployments are limited to a total of 24 months of cumulative service during the course of any mobilization authority. We are constantly working to reduce stress on families through the use of family support groups and other initiatives.

Even as we take the necessary steps to meet our strength goals, we also recognize that soldiers are only as good as the training and equipment they receive to accomplish their missions. We are working closely with the Army leadership to ensure that our individual and collective training needs are known and that our equipment requirements are clearly understood.

Equipping needs for the Army National Guard fall into three broad categories, including general equipment modernization needs, equipment reset requirements, and implementation of the Army Modular Force. The Army National Guard is working closely with the Army to identify equipment modernization requirements and setting the priority for procuring such items as high-mobility multipurpose wheeled vehicles, small arms, night vision devices, tactical radios, and other equipment.

Army National Guard participation in the Army Modular Force initiative represents a critical component in the seamless integration of the Active and Reserve component force structure. Implementation of the Army Modular Force will significantly reduce the stress on our soldiers and their families by making deployments more predictable. The Army has included Army National Guard Brigade Combat Team costs in its funding strategy. This plan outlines $3.0 billion in resourcing requirements for the Army Modular Force from fiscal year 2005 through fiscal year 2007.

Reset costs associated with Operation Iraqi Freedom and Operations Enduring Freedom represent another critical resource requirement for the Army National Guard. Obtaining this equipment is fundamental to ensuring our continuing capability to meet our state mission requirements. At present, $855 million in reset costs were included in the fiscal year 2005 supplemental request. Reset costs of approximately $850 million annually will result in a total reset resourcing requirement of approximately $2.55 billion from fiscal year 2005 through fiscal year 2007.

I am tremendously proud of the men and women of the National Guard and the superlative job they are doing for this Nation. I am optimistic that with your help, our organization will emerge from the global war on terrorism stronger and more vital to the defense of freedom than at any time in our Nation's history.

Thank you.

PREPARED STATEMENT BY LT. GEN. DANIEL JAMES III, ANG

Mr. Chairman, members of the subcommittee. As we sit here today, the experienced, dedicated, and well-trained men and women of the Air National Guard are protecting the skies over our Nation as they have since 1953 when the Air National Guard began Air Sovereignty Alert. The citizen-airmen of the Air National Guard are serving at home and around the globe in both flying and support missions. The Air National Guard provided almost one-third of the fighter sorties for Operation Enduring Freedom, and one-third of the fighter and aerial refueling tanker sorties in Operation Iraqi Freedom. Since fiscal year 2004, Air National Guard aircrews have supported 75 percent of the tanker sorties and 60 percent of the airlift sorties worldwide. The Air National Guard is not providing just aircraft and aircrews. Air

National Guard Expeditionary Combat Support units and individuals are supporting operations and exercises around the world. Since September 11, more than two-thirds of our citizen-airmen have participated in operations worldwide, most as volunteers. Today, Air Guard men and women, including chaplains, medical personnel, lawyers, finance specialists, security forces, weather forecasters, communications experts, and intelligence analysts are in 27 countries from Colombia to Iceland to Kyrgyzstan to Japan.

It is not just the citizen-airmen that deserve our praise and thanks. The men and women on the frontline of our Nation's defense require support from the homefront—their families, employers, and communities. As the airmen of the Air National Guard answer their Nation's call, their families are fighting the many small "battles" at home so their fathers, mothers, husbands, wives, brothers, and sisters can focus on their jobs defending the United States. We must also thank the employers and communities for stepping up to the plate by providing emotional, spiritual, financial, and employment security that often exceeds our expectations. My thanks to Congress for providing the support and the resources to take care of our citizen-airmen and their families. In the end, it is the families, employers, communities, and Congress that have made it possible for our Air National Guard members to concentrate on their number one job, defending the homeland in-depth.

The Air National Guard is determined to remain ready, reliable, relevant . . . now and in the future. Air National Guard F–15 and F–16 pilots who are protecting the skies over U.S. do not do it alone. They require a team of dedicated professionals. Likewise, they need your help preparing for their future.

The transformation of our force and transition to different missions will provide the Air Guard with many opportunities to excel; we will be asking our members to move to new locations, cross-train into different Air Force specialties, and in some cases, work side-by-side with their Total Force counterparts. This transformation is essential for the Air National Guard as we capitalize on the strengths of the Total Force to relieve some of the stresses that have recently begun to affect our force. Many of those stresses are the result of a high operational tempo and a capabilities mix designed to meet the challenges of the Cold War era. These factors will challenge the key to the Air National Guard's success—its people.

As the Air National Guard transforms, we will be looking for personnel transitional benefits to help shape our force and ensure our people are treated fairly.

Like all the military services, we depend upon well-trained, dedicated professionals, but the core competency of the Air National Guard is its experienced people. In 2003, 52 percent of the men and women entering the Air National Guard had prior military service and approximately 62 percent of the enlisted members were rated as skill level 7 or higher. Our ability to recruit and retain this technically competent, stable work force is essential. While recruiting has trended downward, specifically in non-prior service airmen, I'm proud to say that the retention of our members remains the best of all the Services and components. How well we assume new missions and continue to support both the Air and Space Expeditionary Force and Homeland Defense is directly related to our achieving recruiting and retention goals through fiscal year 2006.

Heading into fiscal year 2006, the Air Guard needs to continue to keep stride with all Services in the very competitive recruiting market. As we begin to transform our force, we will be competing for people from the same demographic pool. There are several programs that I feel would greatly improve the Air National Guard's ability to recruit and retain quality people. First, the 2005 National Defense Authorization Act increased the reenlistment and prior service bonus amounts. We would like to continue to utilize these incentives but currently have a $27 million shortfall for fiscal year 2006. Fully funding this program would definitely pay dividends in the long term.

Second, increased funding for marketing and advertising is considered imperative for recruiting of non-prior service personnel and would include establishing a visible presence in our communities through storefront recruiting offices and targeted advertising. We have a $40.7 million in marketing and advertising that we consider imperative in the recruiting of non-prior service personal. This figure includes $3 million to establish a visible presence in our communities through storefront recruiting offices and $37 million in targeted advertising.

Our people are and will remain our most valuable asset, but the future requires that we also transform our organizations and modernize our equipment. As we begin to transform ourselves through the addition of different missions and participation in the Total Force, we will continue to maintain a majority of the missions that we have today.

The men and women of the Air National Guard understand these 21st century security challenges require a 21st century Air National Guard. We will continue to

be an integral part of the Air Force's Air & Space Expeditionary Force and Homeland Defense teams. Our partnership with our Active and Reserve counterparts, and their partnership with us, aligns our forces to participate in some of the leading edge missions. Several initiatives are underway, and we have already seen positive results and increased capability from previous Total Force initiatives.

Our men and women understand the need for new transformational organizational structures such as the association of the 192nd Fighter Wing of the Virginia National Guard with the Active component's 1st Fighter Wing at Langley Air Force Base forming the first operational F/A–22 wing. The door also swings the other way as we embark on a test of "Community Basing" with the Vermont Air National Guard hosting Active-Duty maintenance personnel thus capitalizing upon the Air National Guard's core competency of experience. Additionally, the Air National Guard is transforming by embracing new missions such as Global Hawk, space, intelligence operations, and Predator.

We realize major changes are in store for our Air National Guard forces. We feel, however, the key to our support to the warfighter is to maintain proportionality within many of the current and emerging mission areas. We will continue to seek a capabilities mix mirroring the Active Air Force to ensure the Air Guard maintains a proportional presence across the full spectrum of Air Force missions. Proportionality also allows us to capture highly-technical skills from the Active Force that are still desperately needed by the combatant commanders and continuing to provide a surge capability across all mission areas.

Finally, I wish to address the Air National Guard's role in our Nation's top priority mission—homeland defense. Our approach is "One System—Two Missions." Be it aircraft, expeditionary medical support, hazardous material response, disaster preparedness, chemical and biological detection equipment, or a myriad of other capabilities resident in the Air and Space Expeditionary Forces of the Air National Guard.

To quote President Lincoln, "The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew." How well we address today the challenges of recruiting, retention, transformation, and modernization will affect our capability to defend our homeland tomorrow.

Thank you.

Senator GRAHAM. Thank you, Mr. Secretary. Thank you very much.

We have just started the first of three votes, and Senator Nelson, how would you like to do this? Do you just want to press on and do this in a staggered way, you stay, I stay, or go together?

Senator BEN NELSON. I do not know how it will work when you have three.

Senator GRAHAM. It is going to be tough, is it not? Well, why do we not just go ahead and start, and we will come back when the votes are over, but we will try to do as much as we can now. Would you like to go first?

Senator BEN NELSON. No, thank you.

Senator GRAHAM. Thank you, Mr. Secretary. I appreciate all of you coming today.

It seems to me there are three things that every military worries about: recruiting, retention, and readiness. To define the problem for the Nation, as Senator Nelson indicated, it is my understanding that the utilization rates for the Guard and Reserve are at an all-time high since World War II. The nature of the war on terrorism has tapped into the Guard and Reserve Force in a way that the Cold War did not. The C–130 has always been an important platform, but in the war on terrorism, it is the air taxi for Afghanistan and Iraq, and it has been used abundantly. Every time I have been there, I have been on about 15 or 16 flights, and all the crews involved have been Guard or Reserve, except one.

The skill sets of the Guard and Reserve, as I understand it, are very much in demand when it comes to civil affairs, some medical

specialists. Military police (MPs) are worth their weight in gold, because they have unique abilities.

So given that understanding, that 40 percent of the people in the theater today are Guard and reservists and that their skills and their experience is needed to fight to win this war on terrorism, let us look at the recruiting picture, if we may.

The numbers that have been provided to the subcommittee show a fairly significant shortfall here in the last couple of months about meeting our recruiting goals. If you would, as a panel, starting with General Blum, give us your assessment of the recruiting problem, whether it is chronic or acute, and what strategies we have to confront it.

General BLUM. Thank you, Mr. Chairman. Thanks for the opportunity to answer that question. I will frame it, and then General Schultz wants to provide a little more detail on the Army side. Then General James, if you would pick it up on the Air Guard side.

Overall, the National Guard recruiting is a function of two things: input of new people and the ability to retain your experienced people. Let me start with retention first.

The ability to retain our experienced people is extraordinary and remarkable and counter-intuitive to what is going on in the world today. We are using the Guard at an unprecedented rate for unprecedented operations both overseas and here at home. The length and frequency that we are calling on our Guard is unmatched in anything in our Nation's history, particularly since the All-Volunteer Force about 32 years ago was instituted.

So the All-Volunteer Force appears to be withstanding the acid test in the crucible of war in a sustained conflict for the first time in our Nation's history with an All-Volunteer Force. We are keeping our experienced people at a higher rate today than we did prior to September 11, which is, as I say, remarkable and counter-intuitive. You would probably guess it would be the other way around.

The other side of the personnel picture is how are we doing in attracting people into our formations in the Army and Air Guard that have never served before. With new authorities and with the new resources that Congress and the Senate have provided to the National Guard as recently as January, we are starting to see some significant improvement in our ability to recruit and attract non-prior service people to a better degree than we have seen in the immediate past.

For instance, it is true we are 15,000 below where I would like to be in the Army National Guard, but we are right on target in the Air National Guard, or so close that it is statistically insignificant. On any given day, we are slightly above goal or slightly below goal, but it is only by several hundred, which in a big organization like that is insignificant.

The Army National Guard is about 96 percent of where we need our end strength. It is roughly 332,000 and change as of this morning. Last month, the month of March, we had our best recruiting month that we have had in the last 14 months, and that is significant because of the change in policy, the change of statute, that the United States Congress allowed, and the resources you gave us for the bonuses and increasing the numbers of recruiters. While all of those recruiters are not trained and the effects of all of those re-

cruiters have not yet been felt, we recruited 3,800 people in February, and that was higher than the month before that, and in March, we did 5,200, so we are on the road to recovery.

If we continue at this rate, we can reestablish our end strength. I do not think it will happen between now and the end of this fiscal year. It could, but it is not likely. It would probably take a little bit longer than that because we were a little slow, frankly, in recognizing the problem and taking the corrective action, getting the authorities and resources to address the problem. I think we are substantially there now.

There are 10 authorities and resourcing packages that I have asked Congress for, on behalf of the Army and the Air National Guard of the United States, that was a bottom-up feed from all of the adjutants general out in the field, and this is the top 10 list that they think they need to achieve the end strength the Nation expects us to have. That will be submitted for your consideration and hopefully, your support.

I hope that gets to the core of your question, and General Schultz and General James will provide you any detail you might want beyond that.

Senator GRAHAM. Thank you.

General SCHULTZ. Thanks, Mr. Chairman. I appreciate your opening comments about my service. I want you to know I serve with a soldier from South Carolina, Command Sergeant Major Frank Lever. He is with us today, and is a first-rate soldier, to be sure.

Senator GRAHAM. I am very proud of it.

General SCHULTZ. The team back home grows first-rate soldiers.

Mr. Chairman, General Blum has outlined the condition we find ourselves in today. I want you to know I am not proud to tell you we are missing our recruiting objectives, as he has outlined. For us, the challenge is the non-prior service category. We are at 68 percent of our recruiting objectives to date. That is in this fiscal year for our non-prior service soldiers.

We need a little more flexibility. We have moved our bonuses this year from $8,000 to $10,000 as a way of increasing the opportunities for young soldiers to join. So the non-prior service population is in need of some consideration for an additional bonus.

Senator GRAHAM. Did you say 68 percent?

General SCHULTZ. 68 percent is our current performance against a goal that we have established so far this year.

I do need to reinforce a point General Blum made, and that is that the incentives are working. We are almost 3 to 1, comparing this year's retention against last year's reenlistment rate. That is a significant change in the population. Frankly, Mr. Chairman, it is that ability to influence soldiers who are considering staying or not staying that is pacing us, at least with the end strength that we have today.

Now, I must also say that turnover is going to be higher before we close out this fiscal year. There is a population of soldiers that are now coming home from Afghanistan and Iraq and duty around the world that is going to leave in higher percentages than we have experienced. Today we are just short of 20 percent turnover rate. Of course, that is not alarming, but if figures go much higher than

that, 25 percent or even higher, then that will put additional pressure on the recruiting.

Senator GRAHAM. What is it in a non-wartime environment?

General SCHULTZ. 18 percent is our objective in a typical year.

Senator GRAHAM. So you are at 20 now?

General SCHULTZ. It is 20. It is not alarming yet, but we are watching this pretty carefully.

Senator GRAHAM. We have to watch it.

General SCHULTZ. Unfortunately, it is going in the direction that we would not necessarily hope for.

So overall retention, Mr. Chairman, is right at 100 percent. Nonprior service soldiers, just short of our objective, and the prior servicemembers are being retained at higher than 100 percent of our population goal.

So for us the task, Mr. Chairman, is recruiting. We just need to access more soldiers.

You know the reality. Soldiers join the Guard today. They are anticipating being called to Active-Duty, and so we are enlisting a different volunteer, clearly.

That is all I have, Mr. Chairman.

Senator GRAHAM. Well, thank you. We have 7 minutes left. If you could give us a couple minutes, General James, and Secretary Hall, when we come back, you can weigh in here on the recruiting problems that we face.

I think the best thing for Senator Nelson and I to do is to go vote. We have three votes. We will come back as quickly as we can. We will vote early on the third vote. Is that okay with you, sir?

Senator BEN NELSON. Yes.

General JAMES. Thank you very much, Mr. Chairman. Thank you for the opportunity to speak before the committee.

As General Blum outlined, our challenge also is in recruiting, but it is not as severe as some of the other Reserve components. However, we take it very seriously, and because of that, we have committed some $17 million in resources to the bonuses that you and the members of the Senate committee authorized and also appropriated some funds for. I would encourage your colleagues in the House to do the same thing; i.e., appropriate funds to go with the authorization for bonuses. We have taken that out of hide, retroactive to October, so that we can capture some of those people who did not join us then and encourage them to come and join us.

Right now, the deficit is a little higher than what General Blum said. We are about 400 people short of where we were the same time last year.

One of the things we have done, in addition to the bonuses, is we have asked our recruiters—and 15 of the 88 flying units have moved the recruiting locations from on the installations to what we call storefront locations, and we have committed some $3 million to what we call storefronts. You have seen them probably in some of the malls and some of the commercial sites throughout the community, because we want more visibility with it.

The good news is in fact that our retention is higher than goal. We are almost a percentage point higher than goal. It will not offset the recruiting challenges, but we think that we are going to be very close, as General Blum mentioned.

Senator GRAHAM. Well, thank you.

With that in mind, I think we will now recess and come back after the last vote. Thank you for your testimony thus far. [Recess from 2:00 p.m. to 2:35 p.m.]

Thank you all for your indulgence. I think we got this series of votes out of the way. The hearing will come to order.

Secretary Hall, if you would give us your thoughts about our recruiting situation and what we can do to help.

Mr. HALL. I will be very short in my remarks. I would echo what the chiefs have told you.

Bonuses make a difference, and I thank you, the committee, and Congress for the $15,000 bonus last year. Just to give you an example, I recently was in the AOR and I met with the retention team for the evening. They have been put there by the Services on site. Last year at the 4-month mark, they had reenlisted 600 people for the entire year. At that point this year, they had doubled it to 1,200 people and almost all of them took the lump sum, tax-free bonus, and it makes a big difference.

I think there are a number of initiatives that we have which we need to continue to expand. In general, I do not like the idea of restricting bonuses to a certain period of time. I would like to expand that window of opportunity, because we need those mid-grade people from 14 to 16 years. We need to expand the time in which you can take advantage of the bonuses.

The critical skills bonus, which is available for the Active-Duty, is not available for the Guard and Reserve. We have an initiative to look at that.

The affiliation bonus. Frankly, I think everyone would agree that $50 a month for affiliation over a period of time for $2,400 total is a bit archaic. We need to expand that. Perhaps whether it is $10,000 or $15,000 to match with the other bonus, we just need to look at those opportunities.

People will always be grateful for the Montgomery GI Bill (MGIB) (Sonny Montgomery's name), but I think we need to look at the parts of that which have atrophied somewhat and fix them.

In the basic housing allowance (BAH) and in others, I think we need to make sure that our Guard and Reserve are consistent with our Active-Duty bonuses. I think last year we had over 50 provisions changed in the law for the Guard and Reserve, and those are making a difference.

You did ask one question I'd like to respond to. Historically, the attrition rate overall for all components averages about 18 percent. So the General was talking about around 20 percent, but the average is 18. We are averaging slightly below that for all the components now at about 17.5 to 18 percent. So it is hanging in there.

Senator GRAHAM. General Schultz, is the 20 percent primarily people coming back from the theater?

General SCHULTZ. That is our overall attrition rate for the Guard. Some have not deployed, and some have returned from Active-Duty.

Senator GRAHAM. Well, thank you. These are all very good ideas. I am sold on the idea that flexibility and money matter, and you are better able to determine what incentives should be offered in

terms of dollars, than any of us up here. I think the subcommittee will be very open-minded to making it flexible.

I want to share a couple of thoughts with you and see what you think. I think we have a chronic problem more than an acute problem. If you join the Guard or Reserves today, as our lieutenant and our specialist will attest to, this is dangerous duty. The likelihood of you being in a war environment is real, and so our retention numbers are heartening. I think it shows you that Americans who sign up to serve their country feel a sense of reward for doing so and want to stay in.

But there is another dynamic with certain specialties where there is over-utilization. The first time is a noble thing. The second time, the third time, and the fourth time is what I worry about.

What I look at is a scenario of the worst case. What if we are in Iraq 2 years from now with 100,000-plus troops? What if 35, 30, or 40 percent of the troop level is Guard and Reserve? In that kind of scenario, what can we do to get ahead of the problem?

What I would encourage you to do is to understand that the benefit packages have to be beyond money, because you do recruit soldiers and airmen, but you retain families. I think that is very true of the Guard and Reserves.

The reason I have offered the TRICARE amendment that would allow people to sign up for TRICARE in the Guard and Reserve and pay a premium like other Federal employees is it is very hard for me to justify a program to a group of Americans who are really going in harm's way and making sacrifices. They are the only group I know of that serve the Federal Government in a part-time capacity that is ineligible for any form of Government health care. One, I think that is just wrong on its face.

Two, if we made health care available where you would pay a premium, I do believe it would help the employer community. It would also really help recruiting and retention because I hear enough anecdotal stories about money matters, but health care and security in health care matters a lot to Americans.

What percentage of the Guard or Reserve is unable to be deployed in a timely fashion or in a normal fashion because of health care problems? Does anyone know?

General SCHULTZ. I will start with the Army Guard, Mr. Chairman. We have about 10 percent of our soldiers from the time of initial notification until deployment. It ranges in the 10 percent range, 8 to 10 percent of our members. Some are injured during the training process, and so it is not all necessarily a medical condition. There is a percentage of our soldiers who do not have health care coverage, and that is about 30 percent on estimate now across our formations.

I will tell you this, based on talking with family members very recently. I said just give me one thing that I can work on that would help you more than anything else, and they all answered health care in a second.

Senator GRAHAM. I think that is true of the population as a whole. I appreciate those candid comments.

Secretary Hall or General Blum, would you like to comment?

General BLUM. Mr. Chairman, there are two things I would like to underscore before you move beyond where you are, because I think you are at a very critical point.

Intentions are great. Programs are even better. Benefits are absolutely, I think, welcomed and being asked for by the rank and file. But what I think we need some assistance with, even with the existing TRICARE program we have, is the acceptance of TRICARE and elimination of the inconsistencies. We are giving a benefit to soldiers that is well earned and well deserved today, but they cannot utilize it because providers will not accept TRICARE. To me, to not accept a Government-sponsored health care system in a time of war for a family member or a servicemember is a shame. There should be some statutory rigor put into that. Otherwise, you are giving them a check with no money behind it, or you are giving them an empty box as a gift.

Senator GRAHAM. Well said, and I assure you the committee will try to follow your counsel and advice there.

Do you agree with General Schultz that a more robust health care benefit for Guard and Reserve personnel would be helpful in your endeavors?

General BLUM. In every town hall meeting that I have in the United States, Iraq, Afghanistan, or Kosovo, Guantanamo or the Sinai, I hear one thing time after time after time from the rank and file, and you have the issue.

Senator GRAHAM. That is exactly what I hear.

Now, I want to congratulate the Department, Secretary Hall. You all have done a good job. Last year we passed a compromise, if you recall that. For Active-Duty for 90 days, from September 11 forward, in any capacity, you and your family were eligible for a year of TRICARE. You had to pay a premium. This is reflected in the brochure that I have been handed that you are passing out among the troops. I think it is an excellent brochure about what benefits are available, and I want to compliment the Department on getting the word out to our Guard and reservists, who have been deployed on Active-Duty.

Well, that was very helpful. Secretary Hall, would you like to add anything?

Mr. HALL. May I make one comment on it? I echo what General Blum says. I talked to about 2,000 troops in theater when I was there, and continuity of health care is most important. When you transition from that civilian policy to TRICARE, if you take Medicare as a doctor, you ought to also take TRICARE. We have to move on that. That is their first gripe.

The second is they do view this as a good bridge. I think we need to use the word "bridge" because up to 8 years of coverage if you serve for 2 full years is a bridge. Having 90 days prior to deployment and, 6 months after, it is up to 8 years. We are implementing that.

I do not disagree with you. We just have a different perspective on how we are implementing this right now. I think we need to see how it works, see how it is received by the Guard and Reserve, and I think for right now it is enough. Maybe we have a different perspective on that, but that is what I hear from the troops that I talk to.

Senator GRAHAM. I understand where the Department is, and I do appreciate your willingness to work with us. We are trying to get a compromise within the committee here.

Let me end this part of the discussion with my view of where this helps.

If 30 or 25 percent of your potential fighting force is uninsured without health care and every other Federal employee who does a part-time job is eligible, I think that is unacceptable. I do not think it is good military practice, because when you call people from this pool, I have heard as high as 20 percent cannot go to the fight. I guess numbers are the way we want them to be sometimes, but let us say it is 8 or 10 percent. The enemy has not fired a shot, and 10 percent of our force is unable to go to the fight. So in terms of costs, I think we are being penny wise and pound foolish.

We will continue that debate. I promise you, Secretary Hall, that we will robustly pursue the bonus programs that you would like and that we will continue to have this healthy discussion about expanding TRICARE to all guardsmen and reservists.

General SCHULTZ. Mr. Chairman, if I could make one comment on the dental benefit?

Senator GRAHAM. Please.

General SCHULTZ. We need your okay to spend Federal money earlier than we currently do, and I am talking now about units on alert status and then later mobilized. We have money available but cannot spend it because we do not have the authority to spend it. So a slight clause I think in the rules would allow us to appropriately spend Federal money earlier, and that would reduce the number of those non-deployable soldiers in the mobilization process.

Senator GRAHAM. Outstanding. One of the big problems for people is dental care because a lot of civilian plans do not have dental care. So we are going to try to have a fit force. We are going to try to have a force that has what they need because they have earned everything. We are asking people to pay a premium, but if we gave them TRICARE, that would not be inappropriate. I am not going to go down that road. We are going to have a premium requirement like other Federal employees.

Now, when it comes to the recruiting problem, what anecdotal stories, if any, do you hear about non-prior service people? What is causing this drop?

General BLUM. Well, sir, it is not anecdotal. It is systemic. We are blessed with a strong economy in this country right now. That is good, particularly since our enemies are making that their number one target. So we are winning the war in that we have a strong economy while our adversaries are trying to weaken our economy. But that also exacerbates our problem competing for the talent pool that is out there in our young men and women. It gives them some other options, more options than when we have a weak economy. I am not advocating that we should have a weak economy.

I think what we need to do is exactly what we have done. We have made the incentives and the bonuses and the authorities and the flexibility in policies such that we can compete more favorably with the non-prior service market than we were able to do in the past. Non-prior servicemembers are people that we do not know are

going to make soldiers, sailors, airmen, and marines. We know they made good students. We know they got through high school or college or junior college, and we know they are drug-free and they are physically fit and they want to join. That is the other part of it, but we do not know whether they will get through service, and when you recruit young people in that category, you not only have to recruit them, just like you said earlier, you retain the family. You reenlist the family. When you are now bringing in a non-prior service person, they are significantly influenced by what the country thinks of the value of the service that they are about to enter, what they think of the organization they are about to enter, what the views of the adult influencers, teachers, preachers, parents are.

As long as the American people are behind the American soldier—and I say soldier meaning citizen-soldier and airman, and I also mean it about the same people who are sitting behind me, the Marine Corps, the Coast Guard, the Navy, and the Air Force Reserve. As long as they look at service to the Nation with the high regard they do now, I am very optimistic that we will be able to sustain the All-Volunteer Force at the level it needs to be defend this Nation both here at home and abroad indefinitely. This is so even if we find ourselves in the worst case scenario that you described where I have 100,000 national guardsmen deployed 2 years from now somewhere for a long period of time.

If we shorten the tours—and the Armed Forces are looking at that—and if they give us some flexibility in the tour length and the separation from employers and families, and we have a more predictable model on dwell time or recovery time between deployments, it would really help. I think all of these things are very favorable initiatives to ensure that the young men and women will continue to answer the call to the colors.

I might add that the successes we have had happened while two other things happened. Our nonparticipation rate is at an all-time historical low, less than 2 percent nationally. When you talk about the National Guard, there is a paradigm shift of great magnitude. It means that the numbers out there are reliable, and that the numbers represent deployable, real people. That is the first thing, and it is a very important thing.

The other thing is that the young men and women that are joining our ranks today know clearly why they are coming in and that there is a high probability that they will be deployed. So there is truth-in-lending and no false advertising. Our recruiting plans have been adjusted to focus on service to the Nation and that is what these young men and women are coming in to do.

That to me speaks volumes about the youth of America that you do not often hear about. Anecdotally, we hear it the other way. I think we have a lot to be very proud of because the young men and women of this Nation seem to be responding for the right reasons and the right incentives.

Senator GRAHAM. Thank you.

What your Active-Duty counterparts told us was that the big problem they see, in terms of the recruiting shortfall for the Active ranks, is selling family members, selling parents, and selling grandparents. The economy is also a factor, but the view that this war has lasted longer than people expected and is deadlier than

people thought has definitely penetrated the recruiting pool family structure. Do you see or hear any of that feedback?

Mr. HALL. A critical element to the prior service people enlisting, which you already discussed, for those with critical skills is that they feel they are going to go right back into theater and be used. It is essential that the Department proceed with its rebalancing of about 120,000 billets added to these critical skills.

We are halfway there, and we are going to get to that 120,000. At the same time, we need to civilianize a number of billets in which we have troopers, so we can build a larger pool to draw from in those critical skills.

The other element, they tell me, is predictability, and that is predictability for the employer, for the family, and for the individual. We have to develop a model that says we are going to need you here once every 5 years or every 6 years and try to develop a predictability model as best as we can. We have erased the word "weekend warrior." There is no such thing as a weekend warrior any longer.

Senator GRAHAM. I think that has been mentally erased by the country.

Mr. HALL. What I get out there is you are now recruiting the families. You are not recruiting individuals. Every recruiter needs to understand how we are proceeding. All of those things, outside of bonuses, are going to affect the attitude of that young man or woman coming into the Service.

Senator GRAHAM. We have waived the high school requirement for Army Guard. Is that correct?

General BLUM. No, sir. We have not lowered our quality standards at all.

Senator GRAHAM. Have the Active Forces?

General BLUM. No, sir. The Chief of Staff of the Army, General Schultz, General Helmly, and I are pretty solid in that we want to keep the quality of the force. The type of soldiering that is being done right now is Ph.D level work. That young man or woman has to be a combat soldier in a moment's notice, and in the next minute, he or she may be a goodwill ambassador or a social worker. There has to be some thinking going on inside that helmet.

Senator GRAHAM. So that has not been waived.

Mr. HALL. There is a current proposal to look at people who are not high school graduates but have the mental wherewithal to be good soldiers, to bring in a certain amount of them.

Senator GRAHAM. Are we thinking about waiving it?

Mr. HALL. We are.

Senator GRAHAM. Do you think we should waive it, General Blum?

General BLUM. If they have a GED, sir, to me that is a completion of high school education, as far as I am concerned. I do not think we want to lower the quality standards.

Senator GRAHAM. What about you, General Schultz?

General SCHULTZ. I agree with General Blum.

Senator GRAHAM. General James?

General JAMES. We have not given any consideration to lowering the standards.

Senator GRAHAM. Okay. The 24-month cap, which is very popular, goes into what you are talking about, predictability. But let us talk about it in terms of the fight. How does putting a 24-month cap on service in theater affect your readiness?

Mr. HALL. Are you talking about the cumulative versus consecutive? The current policy is when you have been mobilized under this current contingency for 24 cumulative months, then your clock is through. You do not serve again. What I can tell you is that it very important to people. If we had a 24-month consecutive policy in which you could go off duty and then bring you for 24 more months, and go off duty again, it would be, a death knell for our employers and our people. The cumulative rule now that we are under in this contingency, under which Reserves will not be remobilized is something I strongly support, although the law says consecutive.

Senator GRAHAM. That is very important to know, but how does that affect the pool? How does that affect readiness if you take them out of the fight, if they are nondeployable after 24 months? Do we have people to go to?

Mr. HALL. Well, one consideration is we normally have a turnover of 17 to 20 percent. So theoretically in 5 or 6 years, you have a new force. They are not the same people out there. If you have a model which you use at that time, you are refreshing your force by new recruits.

General BLUM. Mr. Chairman, if you change what exists now with the 24 months cumulative service, I withdraw everything I said about being able to maintain an All-Volunteer Force.

Senator GRAHAM. That is important.

General BLUM. That is how significant I think it is.

Number two, I think it is a very positive factor in pressuring the Services, that are otherwise reluctant to do the rebalancing they need to do, to make sure that they can make that force generation model work. Without that kind of positive pressure, I do not think we will see the kind of change that the Secretary advocates, and I totally support what needs to be done.

General SCHULTZ. I am with General Blum on that topic, Mr. Chairman. If we change the policy now—and it has been in place now for years—we are breaking faith with the soldiers in the ranks.

Senator GRAHAM. I do not think anybody wants to. I just wanted to know. See, you have a recruiting problem. You are having at least a sign of a turnover problem beyond 18 percent, and if you have this policy locked down at 24 months you are out of the fight. I wonder how all this plays over time. I understand how important it is to you now, and I would never suggest we would change it.

Mr. HALL. Interestingly enough, there is no prohibition beyond 24 months if you want to volunteer. We have a number of young men and women who want to volunteer and ask to stay beyond 24 months. So we do not prohibit that at all.

Senator GRAHAM. At this time, I would turn it over to Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman, and thank you, gentlemen, for being here today.

First I must introduce Lieutenant Colonel Russell Ponder and embarrass him. He was a military fellow in our office, and I know he is an aide to General James. I am sure he is doing the same great work for you that he did for us. It is good to have you here.

General JAMES. I have not seen him since he left your office. [Laughter.]

Senator BEN NELSON. General Blum and General Shultz, the Armed Forces, but particularly the Army, have demonstrated new ideas in command and control of forces involved with homeland security missions. The Florida hurricanes and political conventions are examples where National Guard senior officers directed title 32 and title 10 forces to provide recovery and security operations. From everything that I have heard from all sources, these operations were unqualified successes. They demonstrated the ability of both Active and Reserve component forces under the National Guard commander with knowledge of the area to operate with unity of purpose.

Do you see any continued or expanded use of the title 32 forces in the support of homeland security missions? General Blum, let's start with you.

General BLUM. Yes, sir. Senator Nelson, as a former Governor, you know how important that really is. People say, who is in charge? If it is happening in a State or territory, the Governor is in charge. When? Always. Under what circumstances? Every circumstance. That is not well understood in the Pentagon, but it is starting to be understood.

The National Defense Authorization Act put into statute, at the request of the Office of the Secretary of Defense (OSD) and because of the House and the Senate's good cooperative work together, a law that allows National Guard Forces to be operationally employed when vetted, when it is a legitimate defense need, and when decided by the Secretary of Defense or the President, that it is in the interest of the Nation, to be left in operational status in title 32 under the command and control of the Governors.

Prior to this job, I was the Chief of Staff of the United States Northern Command. That is exactly the right way and the tool that Admiral Keating now needs as the combatant commander of Northern Command to defend this Nation when we have to use military forces or capabilities to either do homeland defense operations or to support the homeland security operations where we are supporting a lead State or Federal agency. It gives great flexibility to the President and the Secretary of Defense. It allows us to defend the Nation without tearing up the Constitution.

I think you can tell that I strongly support this. So does the Assistant Secretary of Defense for Homeland Defense, Secretary McHale, and frankly, so does Secretary Rumsfeld, because he is the one who actually said, please, let us get this into law so it is not so ambiguous each and every time we need to do it.

Senator BEN NELSON. Well, I assume that since the Secretary of Defense supports it, Secretary Hall supports it, General Schultz supports it, as does everybody else.

Mr. HALL. For the record, I strongly support it, Senator. [Laughter.]

Senator BEN NELSON. That is duly noted.

Are there other areas where we might be able to find similar uses that might occur to you?

General BLUM. Yes, sir, I think so. I think it is starting to have traction or acceptance by some senior leaders in the Air Force, the Army, and the Joint Chiefs of Staff. General Myers and General Pace, in particular, see some great utility in this. The Chief of Staffs of both the Air Force and the Army actually see some very flexible utility in this, but it only would be used when we are talking about operations within the United States of America, its States or its territories or the District of Columbia. It does not apply overseas nor should it.

Senator BEN NELSON. Yes, that is a different situation. Thank you.

Secretary Hall, at the current time of increased deployment, U.S. National Guard and Reserve troops being deployed at the rate they are around the world, I would imagine that small to mid-sized businesses are beginning to be impacted by the unpredictable nature of our mobilization models. Of course, to that end, I think we are trying to find a way to deal with that.

But up until now, how has the military reached out to the business community and explained the evolving mission of the Guard and Reserve and the potential impact on business down the road? Has the Department of Defense, for example, developed strategies that may enhance the predictability of mobilizations and demobilizations, and has that strategy been communicated to the employer community to get their input? In many respects they are the customers, and we want to know whether what we are doing will really serve their purpose, as well as what we think will serve our purpose.

Mr. HALL. I spend most of my time doing exactly that, meeting with groups throughout the country. I was just in Florida and met with a large economic group, the Economic Council of Florida, and I met with Governor Bush. Anytime I go into a State, I ask the following. I would like to meet with the Adjutant General (TAG), the Governor, the Chamber of Commerce, and the Rotary Club, and to try to tell them about our predictability model, and try to take ideas from them.

Also, Secretary Rumsfeld has tasked me with assembling groups of businessmen in the Pentagon for periodic meetings. To date, we have had about 50 of the top companies' Chief Executive Officers (CEOs) and chairmen of the board in to listen and to talk with them to see what their view is.

We are cooperating with the Small Business Administration. We are getting ready to do a study of over 1,800 employers to ask what small businessmen do.

We have met with the Governors Association that you are familiar with, and as I say, I meet with each and every State. My goal is to meet with those groups to communicate, but also to receive from them ideas of what more we might do.

We have been very aggressive. I consider that one of my charters to get out throughout the country to spend time helping them and getting feedback.

Senator BEN NELSON. You might want to also check, if you have not, with the National Federation of Independent Business (NFIB).

They are small businesses in particular. I suspect, if you have not, they would be very helpful.

Mr. HALL. We had one of their officials at the last group that met with Secretary Rumsfeld who said you have to meet with us because we are an important organization. He was included in the day-long event that we had in the Pentagon, in which both the Secretary and the Deputy Secretary met with them.

Senator BEN NELSON. Good. I knew it was a good idea. Thank you. [Laughter.]

Secretary Hall, the employer community has come to rely on the National Committee for Employer Support to not only mediate between employers and their Reserve component employees, but also to educate businesses and show the good work the employer community is doing in support of the National Guard and Reserve employees. Employer Support of the Guard and Reserve (ESGR). Everything has to come down to some initials or some alphabet description. [Laughter.]

It provides this valuable service and should be commended for its hard work. But in the context of an overworked system, will we be able to continue to rely on an organization that provides the majority of its outreach through this voluntary operation, or should we be looking at ways to make ESGR more relevant and provide for a more full-time and coherent staff? I do not want to suggest, however, that the staff members are not coherent. [Laughter.]

But for more continuity in the situation. I do not want to take away from what they are currently doing, but because of the nature of this and the ongoing challenges. I wonder if you have any thoughts about that?

Mr. HALL. I do. Mr. Hollingsworth is the director and Mr. Janes is the national chairman. They are very aggressive in what they are doing. The 5,100 volunteers are very patriotic, but we have to work beyond that. There are three important things.

The gentleman to my right was one of the first ones that said, "I will stand up, and I will provide a uniformed officer in every State that can work with that committee." They will be the continuity, and he has established those, and they are in every State.

The second thing is the staff itself did not have the continuity that it needed. We had military officers that turned over. So what we are doing—and it has been approved—is to civilianize and get professionals on the staff that will provide the continuity that we need.

Third, we are going to expand, and probably add at least one more person per State, and increase their funding.

We have spent a lot of time on this. They have five regional conferences throughout the country. My office attends each one of those. I will be speaking in 2 weeks to a State convention. I am going out with each and every one of them and seeking ideas, but we need to add more people, more funds, and probably make it more permanent. The volunteers are great, but we need something a bit more permanent, and we are moving on those three fronts.

I want to thank General Blum for ponying up those people out of hide to put in each State to support the committee. I think the State chairs are working well with him, and I thank him for that.

Senator BEN NELSON. Thank you. I know that the people in Nebraska, having met with them myself, are doing an outstanding job. You have pointed to the challenge that you have with volunteer efforts. So I thank you, and thank you, Mr. Chairman.

Senator GRAHAM. Thank you, Senator Nelson.

We have another vote, probably less than 10 minutes from now. It could be a long day. I thank the panel. I just have a couple of very quick questions, and we will go to the next panel.

Tax credits. 51 percent of the people coming into the Guard and Reserve community—they tell me about 50 percent—suffer a pay loss in terms of the civilian pay being greater than the military pay. Employers routinely voluntarily make up the difference. We are looking at tax credits of a certain amount for employers who will continue that practice.

General James, what do you think about that? Would that help in the employer community?

General JAMES. Anything that would help the employer and make it easier for them, either financially or structurally, to actually retain that employee when they come back from service would be of great help. Right now they are doing it out of patriotism, out of their sense of having someone who is a good employee who is willing to serve the Nation. Right now, there is really nothing in it for the employer. Anything that you could do to have some compensation and make it easier, not just morally and supportively, but also financially, for the employer to employ Guard and Reserve personnel and to compensate Guard and Reserve personnel would be appreciated.

Mr. HALL. We would have to defer to the Department of the Treasury on its financial impact, but in general, we need to rejoice in what these employers are doing. We need to help incentivize them, and that is one way in which we could thank them for their patriotism.

Senator GRAHAM. Very well.

One last question. When the troops come home, one of the things we discovered from the first Gulf War was the Gulf War Syndrome. We had a lot of people who came home who decided not to stay around because of health care problems, or perceived health care problems, pay problems, or just an experience that was not up to par. How do you feel about what we are doing for the soldier coming home who may have experienced health care problems? Do we have a network in place to take care of these people?

Mr. HALL. I have a couple of quick things. Then I will defer to my uniformed colleagues.

I was there for Gulf War I and II and saw how we screened people out. There has been a tremendous effort by Dr. Winkenwerder and Health Affairs to make sure that this time the health screening is done for everyone. No one is allowed to leave without a formal health care screening, which is transmitted electronically and goes with them to identify any of the problems. Because of what we learned in Operations Desert Storm and Desert Shield, we are doing a much better job in ensuring that we are able to track that carefully. I am very encouraged, and I have not heard anyone say that they are not getting proper screening.

The second thing is that there is closer cooperation between the Department of Veterans' Affairs (VA) and the DOD, and the American Association of Disabled Veterans. When I go out to Walter Reed, I see those offices side by side, because we take great care of them. That hand-off of the disabled servicemember to the VA is very important.

Finally, the center that we have for the severely injured and disabled, which has been established in town, I hope you have an opportunity to visit, is not just for anyone disabled or severely injured. Any person who has a health care problem may call that center, whether they are Active, Guard, or Reserve, 24 hours a day, 7 days a week, and get advice from them on health care matters. It is a tremendous center, which is funded by DOD. It is operating now. I think that will all help a lot.

Senator GRAHAM. We are going to have to go vote. I have 2 minutes.

General BLUM. Sir, in about 30 seconds I can tell you that the National Guard has a full-time funded position for ESGR. As Secretary Hall said, we also are fielding VA representatives, and we hope to hire a VA representative for each State headquarters, and at joint force headquarters. The first priority is a war-wounded soldier who can come in and work in each State and territory to assist in the transition from the military care to VA care and to help educate both that soldier and their family through the family readiness groups that we have in each State. This is not just for the National Guard. This is for any uniformed member who wants to avail himself of that. So we see this as a very real need, and we are investing in that.

Senator GRAHAM. If we can help, we will.

We will go break for a vote. General James, I will write you about transformation and blending Guard units. You know how I feel about that. [Laughter.]

We will not belabor that point, but I do appreciate you coming to my office and talking about it. I want to make sure we retain every guardsman who wants to serve, and whatever we do with the Active Forces makes sense in terms of retaining people.

General Schultz, thank you very much for 40-plus years of service. When is your retirement?

General SCHULTZ. 24 May, Mr. Chairman.

I just want to say, Mr. Chairman, Ron Helmly introduced a couple of soldiers here earlier. For me, it is easy to serve with soldiers like that, and we have them around the world today in the Guard and Reserve and on Active-Duty. It is a real honor, sir.

Senator GRAHAM. Hear, hear. Thank you for your service.

We will be back just in a moment. We will stand in recess. [Recess from 3:15 p.m. to 3:25 p.m.]

Thank you very much.

Will our second panel please come forward?

For the record, Senator Nelson is a very fast walker. To keep up with him, you have to run. [Laughter.]

Secretary Hall, I think you will stay. Is that correct?

Mr. HALL. Yes, sir. Mr. Chairman, if your questions are similar to the ones from the last panel, I will restrict my speaking to what

I said before, unless you want me to reiterate, to allow the uniformed witnesses to answer.

Senator GRAHAM. Thank you. Would you like to make a statement at all?

Mr. HALL. No, sir. I would just like to enter the same statement for this panel as I did before, and ask that it be entered into the record.

[The prepared statements of General Helmly, Admiral Cotton, General McCarthy, and General Bradley follow:]

ARMY RESERVE

2005

POSTURE STATEMENT

U.S. ARMY RESERVE

IT'S NOT YOUR EVERY DAY JOB

2006 ARMY RESERVE POSTURE STATEMENT

A statement on the
Posture of the United States Army Reserve 2005

by

Lieutenant General James R. Helmly

Chief and Commander, United States Army Reserve

Presented to
The Committees and Subcommittees
of the

UNITED STATES SENATE

and the

HOUSE OF REPRESENTATIVES

FIRST SESSION, 109th CONGRESS

The annual Army Reserve Posture Statement is an unclassified summary of Army Reserve roles, missions, accomplishments, plans, and programs.

Designed to reinforce the Chief, Army Reserve's posture and budget testimony before Congress, the Army Reserve Posture Statement serves a broad audience as a basic reference on the state of the Army Reserve.

This document is available on the Army Reserve web site at
http://www4.army.mil/USAR/Soldiers/index.php

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The Purpose of the Army Reserve

"...to provide trained units and qualified persons available for active duty in the armed forces, in time of war or national emergency, and at such other times as the national security may require, to fill the needs of the armed forces whenever more units and persons are needed than are in the regular components."

Title10 USC, subsection 10102

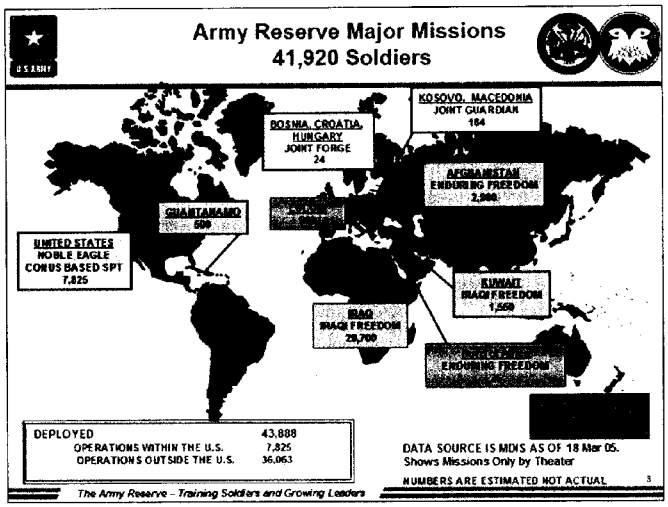
"...The Army isn't just an ordinary institution, it's a great institution with an unparalleled set of enduring core values, a long, rich tradition, and a demonstrated ability to change and adapt to new situations... We must... develop a future force that is better able to meet the challenge of our security environment by... transforming the way the Army fights and the way it does business... We will keep the best of the past, while transforming to be better able to meet the challenge of the future."

Secretary of the Army Francis J. Harvey
Welcome Ceremony
December 6, 2004

Recognizing the Necessity for Change

Dual Missions for Citizen-Warriors

We are your Army Reserve. We are waging two battles simultaneously. First, we are 205,000 Citizen-Soldiers, serving with our Army at war, an integral and complementary part of our Army's capabilities, decisively engaged with the Army in joint and expeditionary operations around the world. In all, about 130,000 Army Reserve Soldiers have served on active duty since 2001, waging the Global War on Terror, and deploying in support of Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom. We are an integral component of the world's best army, complementing the joint force with skill-rich capabilities. Simultaneously, we are an Army Reserve decisively engaged in the process of change, transforming itself to better meet the challenges of the 21st century and beyond. We are reinventing ourselves as Warriors even as we fight the war. The change is essential and profound, of a scope unprecedented in our history.



A Smaller Army; an Army Reserve Refocusing

After nearly 50 years of Cold War and a victory, our Armed Forces were reduced in size-- our active duty Armed Forces by 33 percent; our Army Reserve force by 36 percent. Throughout these reductions, The Army essentially remained a smaller version of its Cold-War self, still oriented on large-scale, maneuver warfare appropriate to a campaign in the Fulda Gap and to Armageddon on the plains of Germany. Post-Cold War campaigns taught us that the wars of the 21st century would be a different item altogether. Future, regional conflicts would not be fought on open plains, by superpowers' massed armored formations, but by smaller units maneuvering their way though devastated urban areas and congested villages of the third world. Local warlords and strongmen with private militias would replace regular forces as adversaries. Speed, mobility, agility, and the correlation of forces became ascendant military virtues. An expeditionary force (Active and Reserve) would be the weapon of necessity to fight our country's battles, while essentially retaining campaign qualities. The roles of intelligence, special operations, psychological operations, and civil affairs forces were moving to center stage and beginning to expand and proliferate. Moreover, the fact that after Operations Desert Shield/Storm, Reserve component support had leveled off and was maintaining a *steady-state* of about 12.5 million mandays per year (up from an average of less than a million mandays per year in the mid-eighties), raised some very interesting issues about overall force balance for Total Force planners. Things were changing profoundly, indeed.

During this period, the Army Reserve, reacting to these reductions realigned its internal command and control structure. Smaller commands were folded into one another wherever possible to increase command efficiency and reduce the size of the force structure. Command boundaries were redrawn and aligned with existing federal administrative regions to improve emergency planning, coordination, and response. Economies of scale and focus were achieved, while enhancing responsiveness and flexibility. All of this took place *before* September 11, 2001. Then the world changed.

Filled with a Terrible Resolve

In the wake of the attacks of September 11th, came the Global War on Terror, and Operations Enduring Eagle, Enduring Freedom, and Iraqi Freedom. The reduced Army and its smaller Reserve components were at war, and the system was being stressed. The need to change radically the operational paradigms of the Army and its Reserve components became ever more apparent. The Army leadership embarked on an ambitious and far-reaching program of change intended to redefine, realign, rebalance, and refocus the force to meet the new realities of the 21st century and beyond. The focus and expectations had changed because the realities of war had changed.

In a time of war when there were no secure rear areas, the Army's Chief of Staff declared that every Soldier would be a rifleman, a Warrior. The twenty-first century Reserve Soldier would become a new model Citizen-Warrior, who, though he would remain a citizen first and foremost, would always be a Warrior. Operations Enduring Freedom and Iraqi Freedom tested the mettle of these Warriors.

At the same time, long-accepted Cold-War planning assumptions and expectations concerning duration of operations required continuous adjustment and recalculation to accommodate a period in which offensive operations had widely ceased, but in which counter-insurgency, combat, pacification and stability intermeshed in high tempo.. Rotation timetables and troop levels were subject to frequent adjustments. Predictability was becoming a morale issue, and the potential adequacy of available troop levels was also being questioned in light of foreseen and developing strength management shortfalls. The problem was institutional.

The management problems that were emerging were clearly tied to obsolete, Cold-War models, based upon legacy force structure, personnel management and policy, and operational responses to unconventional and asymmetrical military threats. The key to meeting this challenge would have to be the development of a coherent and integrated plan that would change Army Reserve force structure, manpower planning training, equipping, and employment policies, and merge the results into an entirely new approach to future combat operations. Transformation and change were recognized not as processes separate from fighting the war on terror, but as necessary *preconditions* to successfully waging the war. Change became a strategic imperative.

Embracing Profound Change

A Catalyst for Change

The Federal Reserve Restructuring Initiative (FRRI). In 2003, the Army Reserve, having assessed its organization and many of its legacy management policies, began implementing the FRRI, an integrated structural and manpower reorganization program that would realign force structure, and focus assets, resources, and policies on improving wartime readiness rather than peacetime, organizational-support missions. The project was an ambitious one that sought to remedy a hollow force and its inherent lack of readiness; build rotational depth into the force; create a command and control system that produced active duty-ready Soldiers and units; and established Soldier life-cycle management. It realigned support commands to focus their efforts on mobilization readiness rather than peacetime operations. It introduced a Reserve human resources lifecycle management system that offered personalized, centralized management, scheduled professional development education, facilitated assignments among all portions of the Selected Reserve. It developed leaders, and fully manned and resourced the Reserve structure. In sum, the FRRI prepared the way for many personnel and force management features that support change and the Army Reserve Expeditionary Force (AREF).

Mobilization Issues

One other issue that the FRRI addressed was the mobilization system. During the Cold War, mobilized Army Reserve units were typically sequenced to flow in a prescribed order at a modest readiness level. Preparation and qualification time were built into an *alert-mobilize-train-deploy* model, that was linear and rigidly sequential in nature. This system protected unit integrity and presupposed extensive post-mobilization training and that unit sets of mission-essential equipment would also be issued after mobilization. The old system also provided predictability in the process and a minimum of 30+ days from alert to mobilization. Partial mobilization authority allowed for a full year or more of employment in theater.

During the Bosnia and Kosovo period, Presidential Selected Reserve call-up authority was used to call up smaller numbers of Soldiers in accordance with the old model. However, because total Army Reserve requirements were relatively modest, we did not reach deep into the force and exhaust any one set of skill capabilities. The old system held up - for the time being.

Even as We Speak

Current mobilization practice (the new model) is built around combatant commanders' requests for forces (RFF) and deployment orders (DEPORDs). Typically RFFs could consist of as little as one Soldier or range up to an entire unit. (Fifty-two percent of the Army Reserve's mobilizations under OEF and OIF have been for 6 Soldiers or less.) Typically, multiple RFFs are made and each element is placed on alert. Some have received short-fused

DEPORDs in as few as a couple of days, while other elements have been left on alert awaiting orders for months. There has been little predictability in the process as required forces have been deployed from virtually anywhere on our troop list. A much higher deployment criterion was regularly called for, and this required the Army Reserve to perform extensive reassignment of Soldiers and realignment of equipment. Today, on average, 35 percent of the Soldiers in a deploying unit are reassigned from elsewhere. This has presented us with an extremely difficult challenge -- manage the current mobilization process to keep it from breaking the readiness of not-yet-alerted units. These remaining units will be needed later in the warfight and, if "cherry-picked," will not be able to reach deployment standards themselves without additional personnel reassignments.

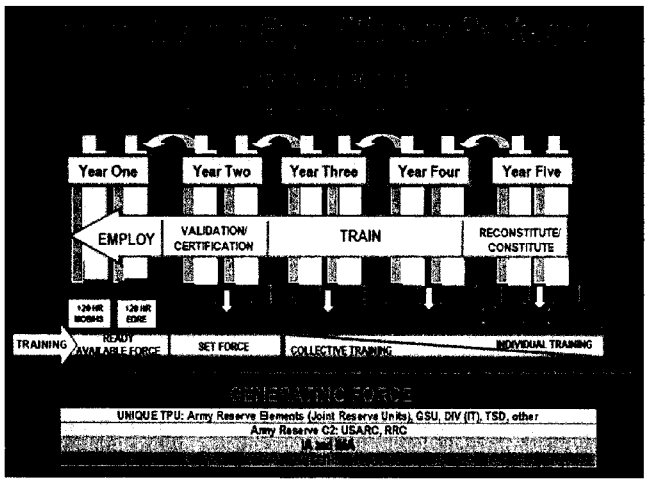
Toward an Expeditionary Future

The Army Reserve Rotational Concept and the AREF

The centerpiece of the Army Reserve's change to the future is its expeditionary force packages, an integrated rotational model that grows out of the Army's efforts to transform itself and restructure its forces to remain relevant and responsive in an era of uncertainty and change. The Army Reserve Expeditionary Force (AREF) synchronizes Army Reserve structures, programs, and operations to sustain responsive, effective and available support of the Army mission. The AREF is a major institutional response to the changing nature of war, and a significant departure from historical Army mobilization and management models that had not contemplated sustained Reserve deployments as an essential feature of military campaigns. It supports the Army's concept of modularity, and the brigade combat teams that are organized under that concept to be more readily deployable and more capable of meeting combatant commanders' needs. The AREF is intended to make the Army Reserve's provision of campaign quality combat support and combat service support forces to the combatant commanders more sustainable.

AREF: the Lynchpin of Army Reserve Readiness

In August 2003, the Army Reserve, building upon the Federal Reserve Restructuring Initiative, and Active component expeditionary structures, began to refine and implement a complementary expeditionary support force concept. The Army Reserve Expeditionary Force (AREF), which itself reflects and complements Active component management models, provides available and ready Army Reserve Soldiers, and synchronizes Army Reserve equipping and training cycles to develop and sustain the readiness of Reserve component forces required to support



Active Army formations, readiness, and operations.

The Global War on Terror was as much as any other single factor, responsible for the development of the Army's expeditionary force concept and its Army Reserve counterpart, the AREF. The protracted nature of the GWOT as well as the heavy investment in equipment required to carry it out, mandated that certain planning factors had to be addressed for the long term if the war on terror was to be waged successfully. The expeditionary force concept is a solution to that problem. It allows a force of limited size to sustain a campaign for a long, if not indefinite period, by cycling its limited, though renewable, assets and resources through a synchronized, progressive, and focused schedule of deployments, engagements, and regeneration, refit, and retraining to achieve serial, selective readiness.

When we speak of assets and resources, we mean the personnel, equipment, and training needed for units to be campaign-ready when required for a predetermined period. In this case, we mean an institutional goal of units capable of deploying to the theater of operations for 9 months on 120 hours' notice every 5 years. We must generate the force; equip the force; and train the force to achieve adequate campaign readiness. We are focusing our efforts and assets on these areas in turn as the constituent units of the AREF move through their service cycles.

The Army Reserve will provide units supporting Army Expeditionary Force Packages (AREP), consisting of trained and progressively mobilization-ready forces. The first two expeditionary packages (AREP) are expected to be ready for deployment in the fall of 2005. Army Reserve expeditionary packages will contain a number of units, each of which will move through a progressive readiness cycle. In a steady state, each Army Reserve expeditionary package has a *planned* activation period of 270 days to capitalize on the Presidential Reserve call-up with 6-7 months' "boots on the ground." The *goal* is a package rotation of one deployment in five years. Our analysis indicates that single-package availability to the combatant commands is sustainable over an indefinite period of time. In a surge state, the Army Reserve can make available up to 4 packages (roughly 40 percent of our force) for a limited period. Based on surveys from both in-theater and recently returned Soldiers, the Army Reserve believes this new strategy is sustainable over the long term.

"Transformation and change were recognized not as processes separate from fighting the war on terror, but as necessary preconditions to successfully waging the war."

The benefits of these new training and equipping strategies to the Army are many. Most notably, they allow the Army Reserve to provide fully trained and equipped units and Soldiers, while reducing the need to reassign personnel and equipment upon receipt of mobilization orders. These strategies also position the Army Reserve for transformation to support the modular force structure of the Army.

Generating the Force

The New Force

The all-volunteer Army is required by its nature to constantly regenerate itself quantitatively and qualitatively if it is to survive. As with any living entity, it must change to accommodate external forces and events that impinge upon it and its mission. In the face of external change, the Army Reserve is restructuring its forces and rebalancing its skill inventories to support the Army Reserve Expeditionary Force. It also seeks to provide sustainability and predictability in mobilization and utilization of Reserve forces (while avoiding wholesale cross-leveling and its inevitable results). At the same time, we want to improve management efficiency, and focus training on skills and specialties required by the combatant commanders. These force-generation changes mirror similar major initiatives throughout the rest of the Army. Because they are being pursued concurrently while we are at war, they are complex, intricate, time-consuming, and dynamic; but once completed, they will enable us to remain engaged as an integral , complementary, participant in an expeditionary army with campaign qualities.. As we noted earlier, they are an essential precondition to winning the war on terror.

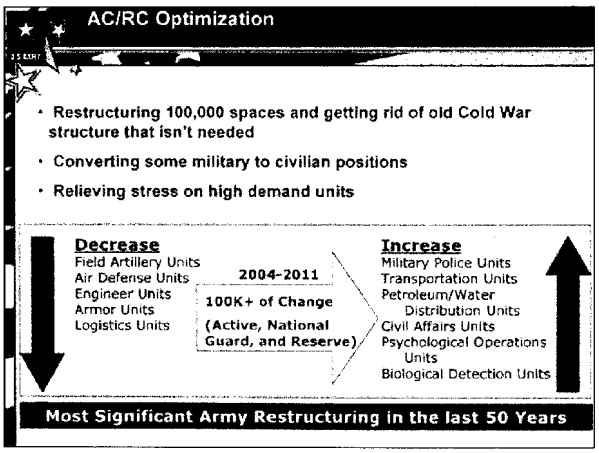
Restructuring the Force

Significant changes originally undertaken as a part of the Federal Reserve Restructuring initiative remain central to the Army Reserve's strategic vision for regenerating and transforming its command and control force structure. In keeping with the *National Defense Strategy, the National Military Strategy*, OSD's comprehensive review of *Reserve Component Contributions to National Defense*, and the strategic global military environment, these changes provide the basis and rationale for moving from the older Army Reserve regional support commands, to operationally deployable commands. Peacetime command and control has been replaced with wartime readiness.

Optimizing the Force

The Army Reserve's Citizen-Soldiers have been continuously mobilized since 1995. Prior to September 11th, the annual manday usage for the Reserve components had leveled off at a steady state of about 12.5 million per

year (the equivalent of more that two traditional Army divisions). From the very beginning of the Global War on Terror, we have known that it would be a long war that had to be sustainable in order to be won. Because many of our military formations were misaligned to meet the current threat, our legacy force structure was being stressed in ways that we had not anticipated by missions that we had not contemplated (or if we did envision them, we did not foresee the degree and frequency to which they now occurred). This was particularly true in some military specialties that were assigned entirely or nearly so to the Reserve components. Military police, transportation, petroleum and water distribution, civil affairs and psychological operations units were among those finding themselves spread thin by heavier-than-anticipated demands for their specialized support services. They had been aligned for a different war than we were now fighting, a war based on a whole other set of operational assumptions that were no longer useful and functional.. As a result, these units were experiencing sufficient stress to potentially challenge our ability to sustain the long push needed to bring the second Gulf War and the Global War on Terror to successful conclusions.



Based upon an analysis ordered by the Secretary of Defense, the military services undertook a comprehensive assessment of their forces and components, seeking ways to relieve the stress on certain high-demand-low-density units, particularly those that are found primarily in the Reserve components. "Optimizing" is intended to refocus Total Army assets on current and emerging missions. It will allow us to trim away low-demand force structure and convert it to directly usable forces to meet missions that would otherwise require more frequent repetitive mobilizations and deployments. More than 100,000 Active, Army National Guard, and Army Reserve spaces have been earmarked for restructuring and in some cases elimination between 2004 and 2011 as Cold-War over-structure. Specifically, the intent of optimizing is to

- Develop a flexible, modular force structure with a proper force mix and depth to sustain homeland defense, major combat operations, smaller-scale contingencies, stability operations, and other requirements of our defense strategy.
- Optimize the Army's ability to respond with a predominantly AC force within the first 15 days of an operation and ensure sufficient AC-RC force structure depth to sustain and support both operational rotations and contingencies.
- Develop plans to fully man Active and Reserve component units and improve the readiness of all our formations.
- Resource high-demand unit requirements by eliminating less-utilized force structure and capabilities.

Optimizing paves the path to modularity, stability, and predictability. It successfully regenerates and restructures the force, creating a flexible, modular Army Reserve that provides stability and predictability for our Soldiers, their families, communities and employers. This initiative will result in a rapid and responsive, campaign-quality Army, while maintaining the depth necessary to meet any threat across the full spectrum of conflict. We will eliminate unnecessary Cold-War over-structure to pay the bill; there will be no reduction in the number of Soldiers. Sustained operations will be the norm for the future, so we must optimize our capabilities to meet this reality.

Our formations must be relevant to the defense and military strategies -- modular, interoperable, and agile. They will optimize our capabilities and sustainability by expanding in specialties that are most in demand. We remain convinced that manning our forces at 100 percent

will increase readiness and reduce turbulence for Soldiers and their units. We further believe that building rotational-based, modular force packages will provide predictability and sustainability for Soldiers in the Army Reserve.

The Army Modular Force

Closely aligned to these force structure changes is the issue of the *Army Modular Force*. The Army has historically favored mobilizing its assets as discrete units. This practice helps ensure unit efficiency and morale as well as effectiveness by allowing Soldiers who have trained and worked together to be mobilized and to serve together. One of the lessons of the campaigns of the last 15 years is that our traditional NATO/ Cold-War divisional structure is no longer optimal for the nature of the wars we are now fighting. Expeditionary formations must be smaller, more adaptable, and provide combatant commanders greater flexibility when they task organize their forces to meet emerging threats and evolving situations. The intent is to develop interchangeable units (modules) that can be assigned with a minimum of cross-leveling of assets, across a spectrum of task-organized forces in what the Army calls its "plug and play" mode. All of the components of the Army share this organizational imperative. The Army Reserve is incorporating this principle in its restructuring and rebalancing initiatives, and has allocated 30,000 spaces to support modularization of its force.

Force Generation Management Programs

The Test

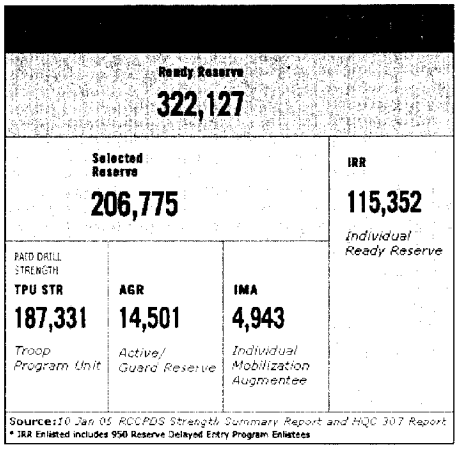
When we discuss "generating the force," we address issues that range from recruiting and retention and the tools associated with those functions, to the broader topic of human resource management and its supporting programs and policies. Ultimately, the issue is people -- attracting, retaining, and managing the best, most motivated and qualified people and Soldiers we can to make up our Army and its Army Reserve.

The Global War on Terror is the first real test of our all-volunteer force. It will sorely try the soul of our Armed Forces and our ability to recruit, retain, and manage the human resources we need to defend ourselves and our interests over time.

Recruiting and Retention

The Army Reserve has been working very hard to meet its programmed manpower goals. The challenges that we face in this area have caused us to reconsider our historic approach to manpower recruiting and management. We recognized the need to take more active steps toward meeting our Soldiers' needs and structuring their careers. While our level of success in this endeavor remains to be seen, the array of initiatives and incentives to service that we have developed with the help of the Army and the Congress bodes well for the future. Among these initiatives are the following:

- Expanded Recruiting Force - we have reassigned 734 more Active Guard and Reserve (AGR) NCOs to the USAR recruiting force. This brings our recruiting force total to nearly 1,800.
- Incentives - During the preparation of the FY05 National Defense Authorization Act, we worked closely with members of the congressional oversight committees to improve the attractiveness of the Selective Reserve Incentive Program, enhance prior-service enlistment and reenlistment bonuses, and establish a $6,000 officer accession bonus.
- For our own part, we have moved aggressively to
  - ◊ Realign Individual Ready Reserve and troop program unit mission responsibilities to increase retention.
  - ◊ Place 49 recruiting NCOs at transition points to work with Soldiers leaving the Active Army and help them find units to continue serving the nation.



  - ◊ Resource the start-up costs for the 734 new AGR recruiters.
  - ◊ Realign funding to support increased bonuses and program enhancements.
  - ◊ Increase funding support for national and local advertising.

Officer Recruiting

Currently, Army Reserve troop program units reflect a shortage of company grade officers. The Army is taking the following actions to remedy this shortfall:

- We have increased officer accessions into the Army Reserve. U.S. Army Cadet Command now has a formal mission for Reserve Officers Training Corps (ROTC) for 670 cadets a year. In February 2005, we also implemented the officer accession and affiliation bonuses that were authorized in the FY05 National Defense Authorization Act (NDAA). These tools will enable us to attract more officers to serve in the Army Reserve and will help us with our accession mission.
- We have implemented the Army Reserve Green to Gold pilot program and plans are being made for its expansion. The Green to Gold program, which began at the University of Pittsburgh and now has been expanded to six universities, is managed by the 80th War Division (institutional training). Army Reserve-wide there are approximately 35,000 enlisted service members who meet minimum requirements for appointment as commissioned officers.
- Active component and National Guard officer candidate schools remain a strong venue for appointment of company grade officers.
- Direct appointment remains a strong commissioning source.
- The Army has also implemented several initiatives that will greatly improve the retention of our junior officers. Some of the initiatives include:

(1) We've increased the number of officer basic course training seats and are reducing the time it takes for a reserve officer to get to training.

(2) We are now assigning newly commissioned officers directly to a troop unit rather than to the Individual Ready Reserve.

(3) We've streamlined promotions to first lieutenant and changed promotion policy for centralized promotion boards. These changes will enable us to increase retention while improving readiness.

Medical Officer Recruiting

The Army Medical Department (AMEDD) continues to be mindful of the challenges to the recruiting of medical professionals. We have taken active steps to address challenges and will continue to monitor these numbers to determine if additional changes are required. One of the most frequently cited barriers to effective AMEDD recruiting is repeated mobilizations. To address this we have implemented the 90-day boots-on-the-ground program for many critical, hard-to- recruit medical positions This change, which allows shorter deployments, was developed from input from our Reserve component AMEDD personnel, and today we believe it is successful. However, we will continue to monitor these types of challenges to ensure we maintain a ready force and will continue to work with AMEDD recruiters to develop initiatives tailored to meet current and emerging requirements.

Individual Augmentation Program

One of the significant force-generation challenges the Army Reserve faces is the large number of taskings to provide the Army with individual Soldiers, or small, non-task-organized groups of individuals to fill specific individual mobilization requirements. To fill these requests, the Army Reserve has typically had to mobilize groups of six or less Soldiers, making personnel tracking and accountability extremely difficult. To re-engineer and streamline the individual mobilization process and improve accountability, we established the Army Reserve Command Augmentation Unit (UAU) as a holding element for individual mobilized Soldiers.

Soldiers living in areas without a unit that supports their MOS or grade may be assigned to the UAU and attached to a troop unit near their home of record for training. Individual Augmentees may also support force generation requirements by being temporarily attached to fill critical MOS/grade shortfalls in mobilizing Army Reserve units.

Currently there are more than 7,500 Army Reserve Soldiers registered in the IA Program Volunteer database. Since October 2003, the IA Program has provided approximately 1,200 volunteers to fill individual augmentee mobilizations, replacement operations, World-wide Individual Augmentee System requirements, or be cross-leveled to fill critical military occupational specialties in deploying units.

Full-Time Support

The Army Reserve is a full partner in Army transformation, the Global War on Terror, and support for ongoing strategic operations in Iraq and other parts of the world. Full-time support (FTS) levels directly affect all facets of force generation and unit readiness - personnel, training, and equipment - by providing the core expertise and continuity required to effectively prepare for and efficiently transition to war. The Congress has long recognized that adequate levels of full-time support, both Active Guard and Reserve (AGR) and military technicians (MILTECHs), are essential for units to attain and maintain the heightened levels of mobilization readiness demanded the Global War on Terror and ongoing strategic operations.

The current FTS ramps for AGRs and MILTECHs, established in January 2001 by the Army, in cooperation with the Army Reserve and the Army National Guard, were designed to gradually achieve minimum essential resource levels (73 percent of requirements) in support of RC unit readiness.

The Army Reserve historically has had the lowest FTS percentage of any DOD Reserve component, including the Army National Guard, and this will still be the case when the current approved ramps reach end-state in FY 2010. The FY 2005 DOD average FTS manning level is 21 percent of end strength, while the FY 2005 total for the Army Reserve is 11.3 percent.

In FY 2005, the Army Reserve was tasked with additional FTS mission requirements above and beyond programmed requirements, including:

-- Replacing 223 Active component training advisers (Title 11) to the Reserve components who will be reassigned to support Active component missions.

-- Providing U.S. Army Recruiting Command 734 additional recruiters for FY 2005 and FY 2006.

In cooperation with the Department of the Army, the Army's Reserve components are revalidating their FTS requirements to ensure that existing FTS models and support structure remain relevant to current missions and the needs of the Soldier. We expect that, as a result of this effort, requirements may increase, not decrease. It is imperative that the programmed resourcing of full-time support not only be maintained, but increased, as the Army Reserve restructures to move to a more ready, campaign- capable, and accessible future force.

Force Generation Support Programs

Army Reserve Well-Being Program

As a major element of its long-term force generation plan, the Army is formalizing the concept of well-being. The Army Reserve Well-Being Program enhances the institutional strength of the Army Reserve through a comprehensive strategy that integrates all well-being resources to enable Soldiers, civilians, retirees, veterans, and their families to become more self-reliant and better able to meet their personal needs and aspirations. Army well-being integrates and incorporates existing quality of life programs into a framework that supports performance, readiness, recruiting, and retention.

The Army Reserve's well-being program consists of more than 30 elements. Our goal is to raise awareness and an understanding of the relevance of well-being and its impact on Soldiers, civilians, family members, and The Army. We are developing strategic communications that inform, educate, and engage each Army Reserve well-being constituent. The Deployment Cycle Support Program, the Army Reserve Family Program, Army Reserve Rear Detachment Operations, and "Welcome Home, Warrior" program are among the most significant of the initiatives that provide force generation support for deployed Soldiers and their families.

Army Reserve Well-Being Architecture

US ARMY

Values
Army Values
Religious Support

Professional Development
Training
Personnel Management
Workplace Maintenance
Leader Development

Espirit
Tradition
Camaraderie
Job Satisfaction
Life-Style Satisfaction

Health Care
Preventive Services
Patient Care

Pay & Compensation
Military Base Pay
Allowances
Incentive and Special Pay
Other Compensation
RC Employer Support
Finance Processing

Continuous Learning
Continuing Education

Leadership
Leadership
Human Relations
Military Bearing & Discipline

Workplace Environment
Workplace Modernization

Family Programs
Deployment Cycle Support
Dental Services

Welfare
Safety
Risk Reduction
Legal Services
Transition/Retirement
Final Honors
Community Referral

Citizenship
Religious Programs
Voting Assistance

Financial Readiness
Personal Financial Management

The Army Reserve – Training Soldiers and Growing Leaders

Deployment Cycle Support Program
The Deployment Cycle Support Program (DCS) supports all Soldiers and units undergoing reconstitution upon completing a deployment. It is a three-phase program. Phase 1 (redeployment) begins when the unit is released from its mission and reports to the rear assembly area in theater. Phase 2 (demobilization) involves five days of DCS/ reintegration focus training at the facility from which the unit mobilized. Phase 3 (reconstitution) consists of a series of sustainment activities at home station.

Army Reserve units and individual Soldiers (including Individual Ready Reserve and Individual Augmentee Soldiers) will return to Reserve status as quickly as possible, consistent with mission accomplishment, achieving required levels of readiness, and the need to complete key DCS tasks.

The Army Reserve is developing a DCS assistance team to support the completion of reconstitution activities at home station. Part of this effort will include reinforcement of key information previously provided at demobilization stations (e.g., information regarding medical and dental entitlements, Veterans Administration services, Army Career and Alumni Program (ACAP) services, and family reunion workshops). We are developing a DCS program (tools and techniques) to ensure that our Soldiers complete all DCS elements, and ensure that they have full access to all services throughout their personal reintegration.

Army Reserve Family Program
Support to Army Reserve Soldiers and their families has been paramount to our senior leadership since the beginning of the Global War on Terror. The Army Reserve is committed to providing a full range of essential support and service to all Soldiers and their families. Many initiatives implemented since September 2001 continue to be refined as funding becomes available.

The Army Reserve has nearly 150 full-time and contract family program staff members providing essential services to Reserve Soldiers and their families. Services are provided through 10 regional readiness commands and 26 other general officer commands or separate units in the continental United States, the 7th Army Reserve Command in Europe, the 9th Regional Support Command in Hawaii, and United States Army Civil and Psychological Operations Command (Airborne).

Services provided by Family Program personnel include support and assistance to unit leadership. Training programs include the following:

- Fundamental and Developmental Family Program Academy (FPA). Fundamental training includes the basics that help establish and maintain a viable, functioning family readiness group at the unit level. Developmental FPA training builds on those basics and enhances the participants' capability to sustain and enhance unit family programs.
- Operation READY (Resources for Educating About Deployment and You) curriculum is a series of training modules, videotapes, and resource books published for the Army as resources for staff in training Army families affected by deployments.
- Chain of command training is designed to assist the personnel staff from the headquarters through the unit leadership in learning more about the scope of family programs within the Army Reserve.
- Deployment Cycle Support training provides instruction for unit personnel who assist and manage Soldiers and families during the mobilization, deployment, sustainment, and reunion phases of the deployment cycle.
- Mobilization/deployment and reunion briefings are provided by family program directors or coordinators at the unit level at the time mobilizations, deployments or reunions occur.
- Senior Volunteer Resource Instructor (SVRI) training provides initial and advanced training to volunteer instructors who represent the regional readiness command and Army Reserve.
- The Army Reserve provides direct support to families of Individual Ready Reserve and Individual Augmentation Soldiers. The staff contacts families by telephone within 48 hours of Soldier mobilization and follows up with additional information and points of contact. Assistance and support is currently being provided to 6,400 families.

Army Reserve Rear Detachment Operations (ARRDO).
The Army Reserve is reviewing its Rear Detachment Operations (ARRDO) procedures to identify systemic problems and develop solutions that update current guidance and outline the way ahead.

Inadequate information flow from forward command elements to rear detachment commanders, pay issues, and family support have surfaced as continuous challenges for Soldiers.

Given the magnitude and the unique nature of Army Reserve rear detachment operations, full-time support is critical to providing the stability to support current and future contingency operations.

Welcome Home, Warrior, Program

This program is intended to ensure that each returning Citizen-Warrior understands that his contribution to accomplishing the mission and making the homeland more secure for all of our citizens is recognized and appreciated by the nation and The Army. The program is a vehicle for conveying public recognition and private gratitude that might otherwise slip by in the press of demobilization tasks and events and the rush to reunite families and

friends. Each returning Soldier is presented with a shadow-boxed American flag, a Welcome Home, Warrior-Hero flag, a Soldier and spouse pin set, and a commemorative coin. The Soldier and family reactions at these award ceremonies, which are generally held several weeks after the units' return to home station, have been overwhelmingly positive, and suggest that recognition effort is sincerely appreciated.

Medical Readiness and Medical Hold Improvements

The Army Reserve has listened to the concerns of all its Soldiers and their families, and we have sought ways to provide the best healthcare possible and improve administrative processes for Soldiers and their families - before, during, and after mobilization. Since combatant commanders need a force that is medically fit and ready, the Army Reserve has placed increasing stress on medical readiness.

During the alert phase, the 90 days of pre-mobilization TRICARE benefits authorized in the FY04 National Defense Authorization Act (NDAA) and made permanent in the FY05 NDAA is used to improve medical readiness of Army Reserve Soldiers. The Federal Strategic Health Alliance, also known as (FEDS_HEAL), is a huge success story for the Army Reserve. FEDS_HEAL is a joint venture between the Army Reserve and the Department of Health and Human Services. This unique program utilizes civilian medical and dental services across the United States to provide care to Army Reserve Soldiers in their neighborhoods. The program allows alerted Soldiers to receive required medical and dental services before they arrive at the mobilization site so they are medically ready to deploy with their units.

Because of its remarkable effectiveness, the FEDS_HEAL Program has expanded eightfold in the past four years, e.g., Army Reserve Soldiers received 47,500 dental exams; 20,600 physical exams; 58,100 immunizations; 3,600 eye exams; and 4,000 dental treatments through FEDS_HEAL in FY04, a tremendous boost to Army Reserve medical readiness.

Mobilized Soldier Pay

One of the difficulties that Reserve Soldiers have had to deal with while mobilized and deployed is pay discrepancies. The Army Reserve has worked hard to find effective short- and long-term solutions to these problems and to improve pay processing for our troops and their families. Pay support for tens of thousands of Army Reserve Soldiers deployed worldwide was significantly improved during the past year. Major actions to improve pay support include:

- Reserve Pay Training. The USAR Pay Center has assumed a vital role in training mobilizing USAR and ARNG finance units. Since April 2003, the Army Reserve pay inquiry team has answered over 23,000 pay inquires from mobilized Army Reserve Soldiers around the world.
- Publications and Soldiers' Guides. The Army Reserve published the "Army Reserve Finance Guide for Mobilizing Soldiers" in October 2004, and officials at the US Army Finance Command, in conjunction with the Defense Finance and Accounting Service (DFAS), the Army Reserve, and the Army National Guard, have recently published a finance mobilization/demobilization standard operating procedure manual that clearly defines the roles and responsibilities of the various pay offices involved throughout all phases of a Soldier's mobilization.
- Automated Mob Pay Transactions. The Army Reserve has developed software applications to improve the timeliness and accuracy of mobilization pay. One application allows units to initiate mobilization pay and entitlements for Soldiers prior to their reporting to the mobilization station. Additionally, it reduces the amount of manual pay entitlement processing at the UPC and the mobilization station. We are also developing and testing software for the Forward Compatible Payroll system. DFAS is currently conducting software acceptance testing and an operational assessment. Once these tests are completed, three Army Reserve units will be serviced in a field test. Current plans call for the rest of the Army to come on board by mid-summer 2005.

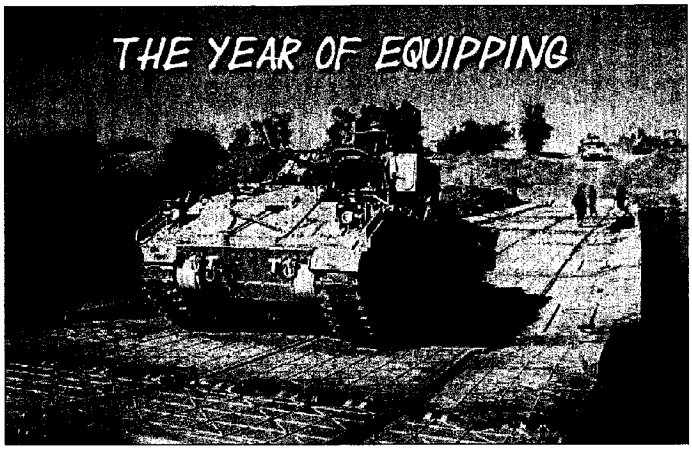
Equipping the Force

The Mother of Invention

The prolonged nature of the GWOT and the campaigns in Afghanistan and Iraq prompted our Army to adopt an expeditionary force structure that supports long-term military actions. Our Army's efforts to "modularize" its structure to achieve depth, flexibility, agility, and predictability testify to the necessity of such a change in strategies. Equipping the resultant expeditionary force requires no less effort or innovation.

One of the lessons learned in the first Gulf War, which has been strongly reinforced in the second, is that wars in the deserts of Southwest Asia are as hard on equipment as they are on Soldiers. Our ability to equip our forces adequately for a prolonged campaign has become a major factor in our ability to close that campaign successfully.

For the Army Reserve, this means profound and enduring change in the way we do business. Our previous equipping strategy no longer fits how we go to war. The Army Reserve faces several challenges in equipping - wartime losses, compatibility, modernization, and resources. To focus our attention on this critically important aspect of war fighting, we have designated 2005 as the *"Year of Equipping"* in the Army Reserve.



Everything is aimed at the units' in the expeditionary packages being able to deploy to support contingency operations. Such units must have priority of equipment fill when they deploy; however, as a result of the heavy equipment wear associated with desert operations, the use of stay-behind equipment, and other related issues, it is not possible for us to support full equipment issue for all of our units all of the time. Rather, we must intensively manage the equipping of our units not only in the theater of operations, but also during all of the stages of preparation and training leading to deployment to the theater. Using this staged process, we can ensure that each Soldier in each unit has the equipment he needs when he needs it.

We are losing equipment that has been destroyed in combat, and our aging inventory is wearing out under extremely heavy usage. The Army Materiel Command's projections from the theater indicate that battle losses and attrition will be as much as 12 percent of the equipment we sent to Iraq and Afghanistan. Additionally, to better equip incoming units, the Army has directed that a portion of Army Reserve equipment remain in theater as Stay-Behind Equipment (SBE). Wartime losses and SBE decrease equipment available for training for Army Reserve units preparing for deployment, homeland defense, or other contingency requirements.

Because the Army Reserve is 75 percent equipped to its authorized levels, and due to equipment losses, we must take extreme care of what we have available. Sustaining on-hand equipment is resource intensive and places great demand on Operations and Maintenance accounts. The Depot Maintenance Program is the Army Reserve's strategic sustainment base, and its only source to fully recondition, overhaul, and rebuild equipment to meet subsequent readiness requirements. Therefore, it is imperative that the Army Reserve maintain its current depot maintenance funding levels to meet mobilization equipment requirements, extend service life, reduce life-cycle costs, and improve safety for Army Reserve Soldiers.

The National Guard and Reserve Equipment Appropriation (NGREA) are essential to the Army Reserve equipping program and over the past five years has addressed a number of critical shortfalls. During that time, the Army Reserve has received an average of $35 million annually to procure additional equipment that would have been impossible to procure from our base budget. Although the Army Reserve received $40 million in NGREA funding for FY05, an equipment shortfall totaling more than one billion dollars still remains. We are continuing to work with Army and OSD leadership to resolve our equipping shortfalls, but additional congressional support is remains the most viable solution.

New Equipping Strategy

The Army Reserve is actively working to help itself with equipment readiness. We have adopted equipping strategy that is synchronized with the five-year AREF rotation cycle. As units progress through each year of the five-year cycle, their state of readiness increases incrementally. Units ready to deploy, are at the highest level of readiness (*Year One*). Units reconstituting from a deployment, are at the base level of readiness (*Year Five*). Units that are between reconstitution and deployment (*Years Two-Four*), receive the full complement of modernized equipment compatible with AC. This will allow Army Reserve units to train with their go-to-war systems prior to mobilization and deployment.

"train, alert, and deploy"

The equipping strategy goes one step further by identifying the equipment for the individual Soldier training that is done in *Year Five* and for collective training in *Years Two* through *Four*. The Army Reserve will rotate this equipment on the five-year AREF cycle through its five training readiness platforms in California, Texas, Wisconsin, New Jersey, and Arkansas. In *Year Four*, units will draw minimum-essential-equipment-for-training sets, which they will use through *Year One* for individual training at home station. Our goal is to fully equip units going into a theater of operations.

There are two important benefits that result from applying these equipping strategies. First, reduce the need to cross-level equipment upon receipt of mobilization orders. Second, the Army Reserve will provide transformed units that are fully interoperable and integrated into the Army's modular framework.

The Army Reserve is also investing aggressively in Depot Maintenance and Cascading of equipment. In the Depot Maintenance Program, operated by Army Material Command, the Army Reserve is overhauling and rebuilding hundreds of aging tractors into the newer configuration. In the area of recapitalization, the Army has provided the funding to rebuild hundreds of Army Reserve High Mobility Multi-Purpose Vehicles, Heavy Expanded Mobility Tactical Trucks, and Heavy Equipment Transporter Systems.

Cascading, is the transfer of Active Army equipment to the Reserve components and is an essential method of equipping the Army Reserve. By cascading, we have integrated hundreds of tactical wheeled vehicles and almost a thousand M16A2 rifles into our inventory. We expect that the continued cascading of the newer model M16A2 rifles, coupled with NGREA funding, to eliminate the over 10,000 older, non-deployable, model M16A1 rifles still on-hand. Finally, the Army Reserve has initiated equipment conversion programs, such as the gas-to-diesel conversions we perform on generators, air compressors, and decontamination equipment. The conversion program allows us to be more interoperable with the Active force.

We are continuing to work with the Active Army and OSD leadership to resolve our equipping shortfalls, and we appreciate continued congressional support of our transformation efforts.

Training the Force

Cyclic Training

The term "cyclic" suggests how the Army Reserve will train and develop a sustainable force capable of supporting the Joint Force and Army requirements. Tied directly to the rotational structure of the Army Reserve Expeditionary Force (AREF), cyclic readiness will simultaneously establish priorities for resources, synchronized readiness levels, and provide predictable training and deployment time frames for Army Reserve Soldiers, families, and employers. Cyclic readiness reflects a dramatic change in the Army resulting from the Global War on Terror and renders the many of the manning, equipping, modernization, and training models and policies of the past are simply irrelevant.

Train-Alert-Deploy. In the past the Army Reserve used a "tiered" system of readiness. The assumption was that the Army Reserve would have the time after being alerted to resource, train and deploy units when they were ready.

The strategic environment today does not afford us this luxury. The Army Reserve is not a supplemental force, but a force *complementary* to the Active Army. Thus, we must be ready to deploy whenever and wherever military forces are needed. Further, our force must be ready to deploy to support the combatant commander and also to perform homeland defense missions in support of civil authorities. Our forces must be ready to conduct their missions with very little time for pre-deployment training. Therefore, our readiness paradigm has changed from *alert-train-deploy* to *train-alert-deploy*. This means that we must start with a firm individual readiness base and devote the resources we have to training the Army Reserve Expeditionary Packages (AREPs) to ever higher states of collective readiness as they progress through each year of their five-year cycle. Our strategy is based on having a full array of combat support (CS) and combat service support (CSS) capabilities ready and available to the nation.

Readiness Assessment. The readiness and training expectations for Army Reserve forces are the same as those for the Active component. While the standards are the same, the conditions under which the Army Reserve prepares for its missions are significantly different. The limited

training time for our Citizen-Soldiers competes with numerous priorities and must be used effectively and efficiently.

Leadership. The Army Reserve is strengthening its leaders by executing the Army Reserve Leadership Campaign Plan. The future Army Reserve demands leaders who are self-aware, adaptable and agile, and life-long learners. The quality of Army Reserve leadership is the foundation for achieving Army Reserve readiness and relevance for the 21st century. Institutional leader development consists of officer, warrant officer, noncommissioned officer, civilian, and MILTECH training. The operational aspects of leader development occur in company-team leader and pre-command courses (battalion and brigade), battle staff simulation exercises, combat training center (CTC) or "CTC-like" events, and culminate in mission-rehearsal exercises. The self-development aspects of revitalized leader development include improved mentorship programs, a leader development assessment program that includes command climate surveys (also part of operational experiences), and use of Battle Command Knowledge System (BCKS) products.

Training Support. The integrated training divisions (ITD) provide support to AREF leaders. These ITDs will provide full-spectrum support for individual through collective training. All Army Reserve organizations are transforming. Separate divisional forces that support training (training support and institutional training divisions) are becoming integrated training divisions, with some current institutional training division capabilities migrating to the 84th Army Reserve Readiness Training Command (ARRTC). ITDs provide specialty reclassification training as a part of the NCO educational system throughout the five-year AREF cycle. In addition, these elements provide skill reinforcement and refresher training through the use of mobile training teams that partner with ITD collective training support organizations. Collective training support elements consist of training exercise developers, trained and certified observer/controllers, and simulations support elements. The ITDs are multi-component organizations composed of Active component, Army National Guard, and Army Reserve personnel. Thus, the ITD includes a combination of combat arms, combat support, combat service support, and simulations skills capable of simultaneously supporting both post-mobilization validation (if required) as well as pre-mobilization training support during *years two* and *three* of the AREF cycle.

Army Reserve Installations are a vital part of training and deployment activities we continue to upgrade and modernize our four major installations - Fort Dix, Fort McCoy, Fort Hunter-Liggett/Parks Reserve Forces Training Area, and Fort Buchanan. We are also partnering with the Army National Guard to provide mutual and accessible training areas and ranges for Reserve component units.

Sheltering the Force

More than Bricks and Mortar

Today, the Army Reserve owns and operates buildings and facilities in a thousand communities across the nation. Our Reserve centers are frequently the most visible evidence of the presence of our Citizen-Warriors in their communities. These Reserve centers (many of them *joint* centers, operated with the Reserve components of other services) are representative of our Soldiers and the federal government to members of the community at large. They speak of us and of our commitment to the national defense and our national interests.

Our training, storage, and maintenance facilities stand as reminders of the nobility of service and the duty that all citizens owe to their country. They reflect upon our Soldiers' commitment, dedication, and professionalism. We are judged to some degree at least on the public face that our facilities present to those who see them daily and who mark their fortunes by what they see. Citizens who see clean, well-maintained, and modern facilities judge their occupants by appearances and measure their occupants' professional competence, in part, by the impression that these facilities present. Attractive, adequate facilities raise our fellow citizens' trust and confidence in their Army and its Reserve components.

In a time when recruiting and retention are challenging our best efforts, these facilities can be a great advantage if they tell the right story and assure our Soldiers that their leaders are concerned about their surroundings and the facilities in which they work and train, daily, weekly, monthly, and often at their own expense. Good facilities reflect the nation's esteem and priorities and encourage good Soldiers to stay with the program and to recruit others to the mission that they have themselves undertaken and that is symbolized by the facilities in which they train. Modern, uncrowded facilities speak eloquently of the investment that the federal government has made in the competence, well-being, morale, and dedication of its Citizen-Warriors. Investment in new Reserve facilities and maintenance and restoration of existing facilities are more than bricks and mortar, they are strong and indisputable evidence of the nation's recognition and gratitude, and the belle-weather of our commitment to our Citizen-Warriors who train and work within their walls.

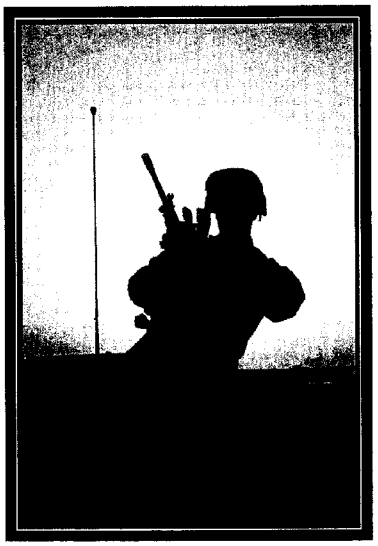
The FY06 budget request includes four new Reserve training centers and second phases for two others, as well as the first phase of an NCO academy and six training ranges. When complete, the Reserve centers will support over 2,700 Army Reserve Soldiers, and the training ranges will support over 130,000 Soldiers from all Army components and other services. These projects are currently under design and will be ready for award in FY06. We can do more if we can do more.

Readying the Force

The Cost of Readiness

A trained and ready Army Reserve is essential to the Army's ability to execute the national military and security strategies. Currently the Army Reserve is fully engaged in the Global War on Terror, meeting the needs of the combatant commanders, transforming, and preparing for future mobilizations. Over the past 39 months, the Army Reserve mobilized and deployed units at much higher personnel and equipping levels than authorized and resourced. All of this has not been without cost in resources and readiness.

- Army Reserve readiness requires adequate resources -- specifically in Reserve Personnel, Army (RPA), Operations and Maintenance, Army Reserve (OMAR), and Other Procurement, Army (OPA) funding-- to be fully operational, properly maintained, and mission capable.
- A large number of the Army Reserve's units will be required in follow-on rotations. In order to meet future requirements, the Army Reserve is working with the Active Army and OSD leadership to develop balanced, responsive, and effective strength management policies and programs.
- The Army Reserve needs support to modernize and reequip its force in support of a modular Army engaged in the GWOT.



Conclusion

The Army Reserve is changing daily as it advances in the Global War on Terror. We face a battle with two fronts, each one feeding and feeding on, the other. The Global War on Terror drives us to rethink, reform, regenerate, and optimize our force so we can carry out our mission with greater efficiency and more effectively support the nation and the troops who are themselves supporting the same mission. Simultaneously, realigned, reset, and reoriented, our Citizen-Warriors cycle through a progression of serial stages of preparation, mobilization, deployment, engagement, and regeneration in support of the same global campaign that precipitates the cycle. The military and political world of the 21st century has changed dramatically and exponentially in the past few years and the changes show no hint of slowing down Your Army Reserve continues to perform its vital mission under Title 10, USC, providing trained, equipped, and ready individuals and forces to meet the nation's military needs. With the help of the Congress and our fellow citizens, we will continue to serve as an increasingly essential element of our Army and our nation.

PREPARED STATEMENT BY VADM JOHN G. COTTON, USN

OPENING

Mr. Chairman and members of this subcommittee, thank you for the opportunity to speak with you today about some of the important changes that are happening in the Navy and its Reserve Force, and to give you a report on our accomplishments and current state of readiness.

Last year, Admiral Vern Clark challenged us with the statement, "Change to make us better is completely necessary . . . to make our Navy even better and to

build the 21st century Navy, and the Reserve is a key part of our growth and our future." We have met this challenge and have attained dramatic improvements, changing our culture and the shape of the force, moving away from an obsolete Cold War construct to one that provides the flexible capabilities needed to fight the unconventional threats of the 21st century.

You can't change culture with money; it takes leadership. I want to thank this subcommittee for the leadership you demonstrated in the National Defense Authorization Act for Fiscal Year 2005, providing authority for the Secretary of the Navy to facilitate changing our name from the United States Naval Reserve to the United States Navy Reserve. We soon hope to have Presidential approval, and are in the process of complying with the provisions of the act, including future submission of the required conforming legislation to Congress. Once we have become the U.S. Navy Reserve, the Chief of Naval Operations (CNO) intends to promulgate guidance to "drop the R," like the marines did in 1997. Our great sailors have always been in the Navy . . . they are the Reserve component of the greatest Navy ever. The initials U.S. Navy Reserve (USNR), USNR–R, USNR TAR will no longer be used—we are all in the Navy. We will still have Reserve component commissions and designators that put us in the right personnel categories, but we're in the Navy, ready and fully integrated. We might work just 2 or more days a month, but you cannot turn off the honor, courage, and commitment that comes with being in the Navy 24/7/365, ready to serve.

Today's busy Navy reservists have three missions. Their primary job revolves around increasing our Navy's warfighting capability. Periodic and predictable service provided by our Reserve component sailors, in the right place, at the right time, with the right skill sets enhances the operational effectiveness of the supported command—affordably. Second, reservists will be key players in homeland security and defense. By aligning our capabilities and shaping our force to support the missions of Northern Command (NORTHCOM), reservists have the skills that will not only improve security at home, but will enable Active Forces to take the fight to the enemy and win the "away" game. Lastly, every sailor acts as a Service ambassador and recruiter in every town in America. The broad distribution of these sailors provides a constant and visible reminder to citizens in every state, and especially in the Nation's heartland, that the Navy is on watch, providing them with unmatched capability in the maritime domain, as well as educating and calling our young people to serve our Nation. This affiliation with "Main Street USA" and the fabric of our Nation is something else that money can't buy, and is a mission that the Navy Reserve embraces.

MANPOWER

Our most important asset is, always has been, and forever will remain, our sailors—our "Sea Warriors." Admiral Clark stresses the importance of continuously enabling and developing every sailor, and has challenged the Navy to deliver a Human Capital Strategy (HCS) in 2005. This HCS theme will repeat throughout my statement.

The Navy's Total Force HCS will build upon last year's successes:

- Continue development of Active-Reserve Integration.
- Execute elimination of Naval Reserve "titles" and foster Active component ownership of the Reserve component elements in one Navy.
- Continue analysis of the functions and roles of the Reserve component in the future Total Force.
- Complete the consolidation of Active-Reserve recruiting.
- Continue to identify and develop Reserve component skills training and professional military education requirements for incorporation into Sea Warrior.

The Navy will deliver a HCS that is both mission and cost effective, while remaining "capability focused." Typically, when a 24/7/365 presence is required, the Active component would provide the preponderance of the capability. When the requirement is periodic and predictable, the capability should be provided by a Reserve component sailor at about one-fifth the cost of their Active component counterpart. When the requirement is best supported by specialized skills and long-term continuity, our civilian workforce provides the best fill. Finally, when time critical requirements are identified that fall beyond the scope of Navy skill sets, then contractors should be utilized to fill the need pending development of the capability or for the duration of a short-term requirement. Presence, predictability, periodicity and skill sets determine work division, not arbitrary lines drawn between components.

The Navy HCS is already demonstrating "value added" in that Navy requirements are met with Reserve component capabilities, no longer simply a matter of "mobili-

zation numbers." Historically, effectiveness of the Reserve component has been measured by the number of personnel mobilized and on Active-Duty. More than 28,000 Navy reservists have been mobilized since September 11, and nearly 12,000 served on Active-Duty during the peak of OIF in May 2003. However, the mobilization metric falls far short of measuring the work being done by reservists each and every day. On any given day, over 20,000 reservists are on some type of orders, providing fully integrated operational support to their Active component and joint commands, both at home and overseas. This contribution is extremely valuable and represents a significant return on "sunk" training costs, enabling mature, seasoned and capable veterans to surge to fleet requirements. The judicious use of operational support enables the Navy Reserve component to meet surge requirements short of mobilization, while providing enhanced "volunteerism" options for our sailors. Thus, operational support provides full spectrum access to Reserve component capabilities, which are more relevant than ever.

The greater readiness provided by full spectrum access is evident by the effective and judicious use of our "high demand, low density" units and individual augmentee skill sets. A prime example is demonstrated daily by the Navy Reserve Intelligence Program, which is fully integrated into all fleet operations. These highly-skilled professionals face increased global war on terrorism demands not only from the Navy but also from every combatant commander (COCOM). Navy leadership is utilizing Intelligence reservists daily with inActive-Duty drills and annual training, Active-Duty for training, and Active-Duty for special work, and mobilization to provide consistent, high quality support to Joint Operating Forces. More than 1,700 sailors have been mobilized since September 11, representing over 40 percent of the Intelligence program's nearly 4,000 reservists, in support of 117 Navy and Joint Commands in 150 different locations worldwide, providing real-time operational support to senior decisionmakers and commanders in the field.

The roles and missions of these professionals have been wide ranging. Reserve component targeting officers have augmented every Carrier Air Wing deployed for Operations Enduring Freedom and Iraqi Freedom (OEF/OIF) since September 11. Interrogators at Guantanamo Bay and elsewhere have obtained information leading to the breakup of global terror cells. They have deployed with Navy SEAL teams, augmented combat staffs aboard ships, stood counterterrorism watches, supported Joint Task Forces, and captured foreign materiel. Also, the effective use of Joint Reserve Intelligence Centers (JRICs) since September 11 has added a new tool for deployed warfighters in all COCOMs.

While most mobilized Reserve Intelligence professionals have reported to their supported Joint and Navy Commands, over 13 percent have been mobilized to 27 JRICs located throughout the country. They are an example of an evolving reachback capability that directly supports forward operations and represents one more step in the Navy's progress toward a net-centric future. Intelligence reservists averaged over 80 days of Active-Duty per person each year since September 11. This high Reserve component personnel tempo is an excellent example of the immense value added by these sailors, largely through "volunteerism."

CURRENT READINESS

Global War on Terrorism

Navy reservists are performing superbly in many important global war on terrorism roles. To date, 19 of our Reserve component sailors have made the ultimate sacrifice while deployed in support of current operations, with many more suffering serious injuries. On July 11, 2004, I had the distinct privilege of presenting the Purple Heart Medal to 16 Seabees from Naval Mobile Construction Battalion (NMCB) 14, in Jacksonville, FL. A total of 7 sailors were killed and 19 were wounded in attacks on April 30 and May 2, 2004 while mobilized in support of OIF. The loss of these brave Americans underscores the honor, courage and commitment that drive our Nation's reservists, and the willingness of citizen sailors to make tremendous sacrifices for not only our freedom, but also for our coalition partners.

Perhaps the biggest challenge involves the anticipated global war on terrorism demand for Navy reservists to support land-based missions in central command (CENTCOM). The Secretary of Defense has directed Navy to take a close look at the combat service support missions, and we are leaning forward to aggressively plan our engagement strategies. The global war on terrorism presents new and dynamic challenges to our Navy and our Nation, and will require a flexible Navy Reserve capable of supporting nontraditional missions.

One way we are meeting this challenge is to develop a customs inspection capability to support deployed forces. Over 450 Selective Reserve and volunteers from the Individual Ready Reserve (IRR) were screened and selected for this new mis-

sion. Mobilized sailors reported to the Naval Expeditionary Logistics Support Force headquarters in Williamsburg, VA, in early December 2004 for outfitting and training, which included Customs Inspector certification and expeditionary warfighting skills. Subsequently, they deployed to Kuwait in late January 2005 for turnover with Air Force personnel.

Additionally, Navy has assumed the responsibility for managing the detainee program at Guantanamo Bay, Cuba. Active component and Reserve component have blended qualified personnel as needed to enhance the security force.

Mobilized Navy "Seabees" have continuously deployed in support of CENTCOM operations. Over 40 percent of the Seabee force has been mobilized since September 11, providing critical combat construction support to forces in Iraq and Kuwait. Navy construction forces rely heavily upon Reserve component sailors, bringing critical civilian skill sets, maturity and experience to the mission.

In January 2004, Navy Expeditionary Logistics Support Force mobilized more than 525 sailors from 4 of its Cargo Handling and Supply Support Battalions, who relieved and augmented a variety of Army and Marine Corps logistics units. These Navy Reserve cargo handlers (stevedores, fuels, and mail) are working with the Army to provide critical combat support to soldiers and marines in Iraq and Kuwait in support of OIF. Subsequently, additional sailors have been mobilized and have relieved these forces in theater.

In March 2003, the Navy deployed Helicopter Combat Support Special Squadron Five (HCS 5) to Iraq to provide a key capability in support of Active ground forces in OIF. Maintaining a high operational tempo, HCS 5 supported the Joint Special Operations Aviation Command, flying combat missions against the enemy. One year later, HCS 5 was relieved by her sister squadron, HCS 4, who remains in theater to date. These two RE-serve squadrons represent 50 percent of Navy's helicopter combat support capability.

The Navy Reserve will expand its role in combat service support. Our dedicated reservists will be placed into training pipelines for up to 4 months to develop and hone special skill sets and combat capabilities needed to support the global war on terrorism. These sailors will then go forward, "boots on ground" with the Army. When they return, we will establish Joint Provisional Units to house these unique skill sets, where reservists will remain on "hot standby" for consequence management in support of NORTHCOM Homeland Defense requirements.

Homeland Defense

"We the People" are all joined in a common interest, Homeland Defense. Only a few times in our history has the enemy brought the fight to our country. Declaring independence in 1776, we defeated the British twice in a span of nearly 40 years. No one can forget the "Day of Infamy" at Pearl Harbor on December 7, 1941, nor will anyone soon forget the events of September 11, 3 short years ago, in New York City, at the Pentagon, and in a field in Pennsylvania. We are now engaged in the global war on terrorism, another long war to preserve our way of life. We must win this "away" game to ensure that it never again becomes another "home" game.

While most Reserve sailors are compensated for only a few days each month, they are in the Navy 24/7/365, selflessly serving their Nation with honor, courage, and commitment. As the President instructed them 3 years ago, they stand fully ready . . . they are the new minutemen in the same tradition as those who stood on the Commons in Lexington and at the North Bridge in Concord, Massachusetts. As veterans, they provide military experience and capabilities as well as a myriad of civilian skill sets critical to the support of Sea Power 21, ready to quickly surge to any global crisis and respond to disasters at home. Reserve sailors live in every State and will become more regionally aligned with NORTHCOM as the Nation develops its homeland defense strategy. We are ready to answer the call, as Americans have done for 229 years. The CNO recently stated, "I am convinced that responsibility for Maritime Domain Awareness (MDA) should rest first and foremost with the United States Coast Guard. I am also convinced that there is a role for the United States Navy to play in response and in support of the Coast Guard, bringing our resources to bear wherever they are required."

The Navy is partnering with the Coast Guard because we share a common interest in defending our Nation's maritime approaches. When a ship comes near our coastlines, we need to know where it is going and what cargo it is carrying. MDA is the effective understanding of all elements of the global maritime environment that could impact the security, safety, economy or environment of the United States.

Significant roles will be played by several combatant commanders, NORTHCOM, Southern Command (SOUTHCOM), Strategic Command (STRATCOM), and many other Federal and State Departments. Pacific Command (PACOM), European Command (EUCOM) and CENTCOM will also contribute to MDA if we are to be success-

ful in countering threats far from our shores. Efforts by the Department of Defense (DOD) and Department of Homeland Security (DHS) to make MDA truly an interagency effort are just beginning, and the Navy Reserve has tremendous potential to join other major stakeholders in providing workable solutions to ensure a more cost effective MDA strategy.

In November 2004, Admiral Tim Keating assumed command of NORTHCOM. In developing MDA, his staff will be utilizing lessons learned from many years of successful North American Air Defense operations that have monitored all air traffic in U.S. airspace. Navy reservists stand ready to augment the MDA staff with personnel from the Space Warfare Command, intelligence, naval control and guidance of shipping, Tactical Support Center, Mobile Inshore Undersea Warfare (MIUW), Military Sealift Command, Naval Air Force Reserve, and Distributed Common Ground System-Navy (DCGS–N) units.

NORTHCOM is planning to stand up a Joint Reserve Unit with Intelligence Community watch standers and analysts that will conduct port security surveys while working with the Coast Guard's Joint Harbor Operation/Maritime Operations Centers. The Navy Reserve will fully support this new capability.

One capability central to homeland defense is provided by Navy Coastal Warfare (NCW), whose mission is to provide surface and subsurface surveillance in littoral areas throughout the world. Secondary missions include command, control and communications functions. Navy Reserve MIUW units and Inshore Boat Units have, until recently, provided the sole capability for this mission within the Navy. Due to the "high-demand/low-density" mission and structure, the Navy has established eight Active component NCW units, under the operational control of the newly established Maritime Force Protection Command to aid in force protection missions. This vital capability will now be provided by a mixture of Active component and Reserve component forces, once again aptly demonstrating the ability of the Navy Reserve Force to serve as a test bed for new capabilities and as an enabler for transitioning validated capabilities to the Active component when required.

The Navy has, in fact, already begun joint experimentation with the Coast Guard, exploring new situational awareness systems, and plans are being formulated to provide demonstrations later this year. One such system, a littoral version of DCGS–N, was provided to the Navy by Congress over the past few years. DCGS–N merges intelligence, surveillance, reconnaissance, targeting, mission planning, and situational-awareness functions into a Web-enabled, net-centric, joint-interoperable architecture. This invaluable capability, long the province of Strike Groups and major ground combat units, will soon demonstrate its potential value in supporting MDA.

Another potential homeland defense capability is being demonstrated by Operation Vigilant Mariner. Embarked Security Teams (EST) will provide security augmentation to Military Sealift Command/Ready Reserve Fleet/Contract Carrier ships to detect, deter and defend against waterborne and land-based terrorist attacks. The initial teams will be composed of Active component sailors, with Reserve component ESTs providing ready surge capability for global operations. These Reserve component ESTs will also be able to perform continental United States (CONUS)-based force protection missions either in civilian ports or as an augmentation force to Navy installations and shore facilities requiring extra protection.

To effectively support homeland defense initiatives, every State should have a joint headquarters, manned by personnel from each of the seven Reserve components. While the National Guard will focus on States, the Navy will focus on regions as part of Commander, Navy Installations' ongoing alignment initiative. When we respond to a crisis, we will do so under a regional construct, surging both Active component and Reserve component sailors to assist with threats. As we continue to develop this concept, we will work closely with the National Guard Bureau and other agencies. This structure further aligns our organizations to provide enhanced support and coordination by having citizen sailors protect their home regions.

FUTURE READINESS

The Navy is taking ownership of its Reserve component. Some specialized communities, such as public affairs, now direct the entire personnel selection and processing system, and are detailing reservists to supported commands. This is exactly how all Reserve component assignments will be done in the future, leveraging experience, demographics, special skill sets and desire to serve in operational units and perform operational mission support.

The future detailing of our reservists will incorporate a Sea Warrior initiative known as the Career Management System. This self-service, Web-based tool will provide every sailor visibility into all available Navy billets. It will also provide the

necessary details, including job description, required competencies, unit location and special requirements, so that our sailors can apply for jobs that best fit their career plans while meeting the needs of the Navy.

In 2003, we began another very productive initiative to enable Navy leadership to view Reserve component readiness information through the Type Commander Readiness Management System (TRMS). We created an innovative module called the Navy Reserve Readiness Module that links numerous databases, including the Medical Readiness Reporting System (MRRS), the Navy Reserve Order Writing System (NROWS), the Reserve Headquarters System (RHS), and the Navy Marine Corps Mobilization Processing System (NMCMPS).

Decisionmakers and force providers can use this system on any desktop computer to drill down through every region, every Reserve activity, every unit, down to the individual sailor. This easy-to-use system has greatly improved readiness and will allow the Active component to better match resources to requirements, identify gaps, and provide focused training to close those gaps. Active component ownership of, and responsibility for, the readiness of its assigned reservists is the objective. This is a significant shift in culture that will greatly improve the readiness and effectiveness of the Total Force.

A major thrust over the past year has been the improvement of the Navy Reserve's enterprise efficiency while enhancing operational effectiveness. Knowledge Management (KM) methodology has been the driver of this effort, and the Navy Reserve is leading the way. KM has been applied across the enterprise, resulting in better organizational alignment with the Active component, better understanding of Navy requirements for its Reserve component, and development of quicker response mechanisms that will better support the joint force. KM focuses our efforts on readiness, and helps us get the most "bang for the buck" in terms of operational availability and speed of response.

QUALITY OF SERVICE

The Secretary of Defense instituted a force structure planning goal of limiting the involuntary mobilization of reservists to 1 year out of every 6. When reservists deploy to support the war, they want to know three things: "when, where, and for how long?" They are ready to serve, and while deployed deserve the same pay and benefits earned by Active component personnel. The DOD is working toward a common pay and benefits system for personnel from all components, Active, Guard and Reserve, which will support the Navy's efforts to properly support sailors, whether mobilized or performing operational support.

Additionally, the Navy's HCS is validating the requirement for different levels of Reserve component participation. Today, about one-third of our force participates at the traditional level of 38 days per year of Inactive-Duty drills and annual training. Another one-third operates at an increased level of participation between 38 and 100 days per year. The remaining one-third is able to serve in excess of 100 days per year, with some being able to recall for years. Given a continued demand signal for all of these levels of participation, innovative methods to predict and budget for requirements will have to be developed by resource sponsors. The result will be a much more integrated Total Force and greatly enhanced full spectrum Reserve component operational support.

One of our efforts to improve the delivery of support across the "capability spectrum" is the consolidation of the Reserve component military personnel (MILPERS) appropriation budget activity structure. The current two budget activity structure of Reserve component MILPERS appropriations, as set up over 20 years ago, is outmoded, cumbersome and not adequately responsive for 21st century budget execution. It leads to inefficiencies in the Department's administration of funds, creates unnecessary budget execution uncertainties, and can result in the receipt of unexpended funds so late in the year that their effective use is minimized.

Combining the two Reserve component MILPERS budget activities, BA1 and BA2, into a single budget activity within the Reserve component appropriation is a sensible adjustment which enables more efficient use of resources, permits sufficient continued oversight of budget execution, and supports the Secretary's desire to transform and improve financial processes.

The Navy Reserve's fiscal year 2006 budget submission accounts for this consolidation and has been fully approved and supported by the Department of Defense. This initiative will have a dramatic impact on our ability to provide full spectrum operational support, as well as improve our sailors' quality of service through the ability to tailor their orders to actual requirements. This also furthers our ability to leverage the National Defense Authorization Act for Fiscal Year 2005 authority to have up to 6,200 sailors performing full time operational support for up to 3 out

of 4 years, a very welcome change in policy that enhances our ability to surge to global war on terrorism requirements.

The timeliness and way that information flows to the Reserve Force is one of our biggest challenges in ensuring quality-of-service. The degree to which we effectively communicate significantly impacts our level of success. We have created several forums for communicating Navy priorities, key leadership messages, relevant news, and opportunities to and from the field, and they have proven to be very effective. We host a biweekly briefing by video teleconference to inform the force and solicit input from every echelon. We established an e-mail communication protocol through the Public Affairs Office to electronically distribute information to more than 5,000 key Navy reservists and DOD personnel. Our award-winning magazine, The Navy reservist, is mailed monthly to every Navy reservist's home (over 80,000 individuals and their families). The flow of information enables us to quickly identify issues and opportunities and to target the proper audiences for action. The speed of actionable information has greatly increased as we build the Navy of the future.

Most critical to our success remains the important roles of our families and employers in supporting our sailors. Our families enable us to go forward with love and support, and our employers guarantee our jobs when we return, often with additional benefits as their much appreciated contributions to the cause. We all serve together and cannot win the global war on terrorism without the many tremendous sacrifices Americans make for national defense.

In the past year, we have worked to strengthen the already very effective Employer Support of the Guard and Reserve (ESGR) program. For the first time since the 1994 Uniformed Services Employment and Reemployment Rights Act (USERRA) was passed, the Department of Labor has published regulations to enhance understanding and assist in the enforcement of this landmark legislation. Never before have our Nation's employers played such a critical role in our national defense, with many providing benefits far beyond the USERRA requirements. We should continue to look for opportunities to further incentivize and partner with employers who do so much to care for our reservists.

ALIGNMENT

Through ongoing transformation, the Navy is accelerating the Nation's warfighting advantage. Admiral Clark has detailed the state of the Navy more fully in his testimony, but several initiatives will have a direct and positive impact on the Navy Reserve, the most significant being Active-Reserve Integration (ARI). ARI is more than a "bumper sticker." It is a key component of the evolving HCS. The key step in achieving ARI is to determine what the Active component requires its Reserve component to do, as well as how and when to surge reservists. Accordingly, Admiral Clark tasked Fleet Forces Command to conduct a review of all Reserve component capabilities, and in August 2004 approved the results. This Zero-Based Review (ZBR) laid the groundwork for a more integrated and aligned Total Force in which Reserve component capabilities directly support Seapower 21.

The ZBR systematically studied gaps in Active component capabilities that could or should be filled by the Reserve component. Cost and risk values were assigned to each validated Reserve component capability relative to the Active component mission to enable leadership to make informed decisions regarding appropriate levels of investment. The result was a blend of existing and new capabilities, while others were recommended for realignment or divestment. The review acknowledged two essential types of support the Active component will receive from the Reserve component: (1) units that stand up when required to provide a specific capability, and (2) individuals or portions of units that can augment existing active commands. Validated capabilities are designed to increase the warfighting wholeness of the Navy, and represent "what the Active component needs to have," not just what is "nice to have."

We have changed the way we assess ourselves, as well as the way we train in support of the Fleet Response Plan (FRP). We are transitioning to a capabilities-based force driven by Navy requirements. The ZBR inventoried the Reserve component against 61 capabilities and "mapped" them to Navy mission areas. Every billet and every unit was examined for both surge and operational support value. We are synchronizing data to enable us to plan and act as One Navy. The results of the assessment are included in the OPNAV programming, budgeting and execution system, partnering resources to provide better support to the warfighters.

One of the most significant outcomes of the initial ZBR is that in fiscal year 2006, the Navy Reserve will reduce end strength by 10,300 sailors. To execute the FRP, Navy Active and Reserve components have accelerated their alignment, synchronizing their efforts to become a more effective and efficient warfighting team. This

is a "win-win" scenario for the Navy and the taxpayer, reflecting not a reduction in capabilities, but rather capabilities more effectively and much more efficiently delivered!

We are expending significant effort to ensure effective Reserve component management as well. Active component and Reserve component manpower experts are partnering to conduct a full-time support program Flag Pole Study to determine the most effective and efficient manner to structure and allocate our Reserve component management personnel across Navy Reserve activities and in fleet commands.

Another key element of our full-time support program is our civilian employees. Over 100 civilian employees assigned to Commander, Navy Reserve Forces Command and the Office of the Chief of Navy Reserve will be among the first Navy employees to be administered under the new National Security Personnel System (NSPS). July 2005 transition activities will be preceded by on-line and class room training for all affected civilian employees and their supervisors (both civilian and military). This initial group represents approximately one-quarter of the Navy Reserve's civilian employee population.

Another component of ARI is the alignment of Reserve component infrastructure. Commander, Naval Installations (CNI), the Navy's landlord, now includes every Navy Reserve activity in its regions for better processing of service and support requests. There are no longer any Navy Reserve bases, only Navy bases with different human capital strategies, and we're all working together to support the fleet.

We can no longer think of ourselves as separate Reserve activities in every State. We must integrate as part of Navy regions. We hope to never build another Navy-Marine Corps Reserve Center, but will instead build only modern Armed Forces Reserve Centers or Joint Operational Support Centers that will promote joint operations, enhance interoperability and significantly reduce overhead costs. We will train jointly at home to deploy and fight jointly overseas.

One significant alignment success story that has resulted in achievement of major efficiencies is the Navy Recruiting mission. The former Navy Reserve Recruiting Command has merged with Navy Recruiting Command to provide a seamless recruiting organization capable of providing all service options to potential Navy sailors. Not a mere name change, Reserve component recruiters and staff are serving alongside their Active component counterparts. Some of our Navy Recruiting Districts are commanded by full-time support officers (FTS). We also have senior enlisted (NRD) FTS Career Recruiter Force personnel serving as NRD Chief Recruiters. Total Force recruiting epitomizes a truly customer-oriented focus, where a potential sailor is exposed to every option for service in the Navy. Every career consideration and every possible enlistment incentive is now tailored to the needs of the individual. Our ultimate goal is to recruit 100 percent of the qualified applicants that "cross the brow" and retain 100 percent of the sailors with viable career options in the Navy, whether Active component or Reserve component.

Our vision continues to be support to the fleet, ready and fully integrated. The Reserve component provides predictable and periodic surge support in the FRP, and has been very effectively integrated into all capabilities in the Navy's operating forces. The Navy is getting slightly smaller, but much more effective, providing increased warfighting wholeness and a much better return on investment.

SUMMARY

Navy RE-servists provide worldwide operational support and we are proud of our many accomplishments since September 11. We continue to push for further integration and alignment within the Navy, while surging with greater speed, flexibility, and responsiveness than ever before. Our dedicated sailors provide the key to future success. During OEF, a deployed combatant ship commanding officer said, "People ask me if I'm worried about the youth of America today. I tell them not at all, because I see the very best of them every day."

Navy Reserve leadership agrees. Our sailors have never been so capable and committed. Their honor, courage and commitment make our profession the most highly respected profession in the United States today and our Navy the most admired around the world. We could not be more proud of the effort they put forth and the results they have achieved over the past year. We are looking forward to even greater success as our alignment efforts progress and many new initiatives mature and become adopted by the Fleet.

In closing, I would like to thank this committee for the support you have provided the Navy Reserve and all of the Guard and Reserve components. The National Defense Authorization Act for Fiscal Year 2005 provided several significant, positive benefits that will help us recruit and retain our talented sailors to better support the Navy and joint commands. As you can see, this is a very exciting period for the

Navy and the Navy Reserve. The CNO has challenged every sailor to review current ways of doing business and suggest solutions that will improve effectiveness and find efficiencies. The Navy Reserve has accepted that challenge and promises the members of this committee that we will continue to do just that—examine every facet of our operation, to support the fleet, and to accelerate our Navy's advantages while providing the best value to the American taxpayer.

PREPARED STATEMENT BY LT. GEN. DENNIS M. MCCARTHY, USMCR

INTRODUCTION

Chairman Graham, Senator Nelson, and distinguished members of the subcommittee, it is my honor to report to you on the state of your U.S. Marine Corps Reserve (USMCR) as a partner in the Navy-Marine Corps team. Your Marine Corps Reserve continues to be "ready, willing, and able." We remain firmly committed to warfighting excellence. The support of Congress and the American people has been indispensable to our success in the global war on terrorism. Your sustained commitment to care for and improve our Nation's Armed Forces in order to meet today's challenges, as well as those of tomorrow, is vital to our battlefield success. On behalf of all marines and their families, I would like to take this opportunity to thank Congress and this subcommittee for your continued support.

YOUR MARINE CORPS RESERVE TODAY

The last 4 years have demonstrated the Marine Corps Reserve is truly a full partner of the Total Force Marine Corps. I have been the Commander of Marine Forces Reserve since June 2, 2001, and as I prepare for retirement this summer, I can assure you the Marine Corps Reserve still remains totally committed to continuing the rapid and efficient activation of combat-ready ground, air, and logistics units to augment and reinforce the active component in the global war on terrorism. Marine Corps Reserve units, Individual Ready Reserve (IRR) marines, Individual Mobilization Augmentees (IMAs), and retired marines fill critical requirements in our Nation's defense and are deployed worldwide in Iraq, Afghanistan, Georgian Republic, Djibouti, Kuwait, and the U.S., supporting all aspects of the global war on terrorism.

"Train, activate, and deploy" has always been a foundation of the Marine Corps Reserve. Following that foundation, your Reserve is maintained as a pre-trained, balanced and sustainable force capable of rapid deployment into a combat environment.

Reserve marines continuously train to maintain high levels of combat readiness. Because we currently have the luxury of scheduled rotations, we utilize a 48-day activate to deploy schedule. A demanding mobilization and operational readiness deployment test program eliminates the need for post activation certification upon activation. The 48-day schedule includes a 9-day Security and Stability Operations (SASO) training package and completes the preparations for the Marine Reserve unit to deploy. The impact of the train, activate, and deploy foundation is the seamless integration with the Gaining Force Commander (GFC) of a combat capable Active-Duty Marine unit.

Your Marine Corps Reserve is pre-trained—able to activate, spin-up, deploy, redeploy, take leave and deactivate all within 12 months. Twelve-month activations with a 7-month deployment have helped sustain the Reserve Force and contributed to the regeneration of our units. In so doing, the Reserves follow the same 7-month deployment policy as our Active Forces. This activation/deployment construct has allowed the U.S. Marine Corps to maximize management of the Reserve Force, maintain unit integrity, and lessen the burden on Marine Corps families by maintaining predictable deployments while allowing adequate dwell time between unit deployments.

As of early March 2005, over 13,000 Reserve marines were activated in support of Operation Enduring Freedom (OEF), Operation Iraqi Freedom (OIF), and Horn of Africa operations. Of these marines, approximately 11,500 were serving in combat-proven ground, aviation and service support units led by Reserve marine officers and noncommissioned officers. The remaining 1,600 Reserve marines were serving as individual augments in support of combatant commanders, the Joint Staff, and the Marine Corps. Since 11 September 2001, the Marine Corps has activated over 36,000 Reserve marines, and more than 95 percent of all Marine Forces Reserve units.

The global war on terrorism highlights our need to remain flexible and adaptive as a force. During the aftermath of September 11 and the commencement of the global war on terrorism, the Marine Corps Reserve was the force the Marine Corps

needed. As new warfighting requirements have emerged, we have adapted our units and personnel to meet them, such as with the rapid formation of security forces from existing units, or the creation of provisional civil affairs groups. We reviewed our Total Force Structure during 2004, and laid the blueprint for refining the force from 2005 to 2006. In the coming years, the Marine Corps Reserve will be increasing intelligence, security, civil affairs, mortuary affairs, and light-armored reconnaissance capabilities, while we pare down some of our heavier, less required capabilities, such as tanks and artillery. However, we are adjusting less than 8 percent of Reserve end strength to support these new capabilities required for the war on terrorism. By reassessing and fine-tuning our Reserve Force, we are enhancing our ability to provide required warfighting capabilities. Although adjusted, the Reserve Force will continue to provide a strong Marine Corps presence in our communities.

Your Marine Corps Reserve continues to prove we are ready, willing, and able to accomplish our primary mission of augmenting and reinforcing the Active component with fully trained, combat capable marines.

RETURN ON INVESTMENT

The Marine Corps is committed to and confident in the Total Force concept as evidenced by the overwhelming success of Marine Reserve units serving in support of the global war on terrorism. Activated Marine Reserve units and individuals are seamlessly integrating into forward deployed Marine Expeditionary Forces (MEFs) and regularly demonstrate their combat effectiveness. The recent efforts of your Reserve marines are best illustrated in the following examples of a few of the many Reserve units supporting the war effort:

Force Units

Fourth Civil Affairs Group (4th CAG), commanded by Col. John R. Ballard USMCR, a professor at the Naval War College, and assisted by his senior enlisted advisor, Sgt. Maj. Joseph A. Staudt, a construction appraiser and project manager, was instrumental in rebuilding communities from the ground up in the Al Anbar Province of Iraq. They assisted in everything from recreating the infrastructure for a city or town, to clearing unexploded ordnance and equipment left by the Iraqi army from school buildings. Fourth CAG was instrumental in projects such as supporting local elections in Fallujah and assisting the Iraqis in reopening schools in Al Anbar province. Just last month, 4th CAG ended its tour of duty in Iraq and were replaced by 5th Civil Affairs Group (5th CAG), commanded by Col. Steve McKinley USMCR, a retired bonds salesman from Wachovia, with the assistance of Sgt. Maj. John A. Ellis, a Baltimore fireman.

Fourth Marine Division

First Battalion, 23d Marines (1/23), under the command of Lt. Col. Gregory D. Stevens USMCR, a building contractor in southern California, supported by his senior enlisted advisor, SgtMaj David A. Miller, a military academy instructor, were the first to enter and assess the threat in Hit, Iraq last year and won decisive battles with insurgents in that city. Sgt. Herbert B. Hancock, a sniper from 1/23 was credited with the longest confirmed kill in Iraq during the battle for Fallujah, taking out insurgent mortarmen from a distance of over 1,000 yards. From October 2004 to January 2005, the Mobile Assault Platoons of 1/23 patrolled the supply routes around the Haditha Dam area in Iraq. With the aid of long-range optics, night vision and thermal imaging scopes, they vigilantly watched day and night for insurgent activity, while remaining unobserved. During their last month in Iraq, the efforts of the Mobile Assault Platoons caused an 85 percent decrease in the total number of mines and improvised explosive devices (IEDs) utilized in the Haditha Dam area.

Second Battalion, 24th Marines, commanded by Lt. Col. Mark A. Smith USMCR, an Indiana state policeman, with Sgt. Maj. Garry L. Payne, a business owner, as his senior enlisted advisor, supported the 24th Marine Expeditionary Unit (24th MEU) by bringing a measure of security to northern Babil Province. Marines with law-enforcement background were so common in the battalion that even the smallest units boasted of having a few police officers. Many law-enforcement strategies and tactics employed in the Chicago area were mimicked in Iraq such as executing raids, handling heavy traffic jams and conducting crime scene analysis. The battalion even used police procedures in its intelligence battle, comparing anti-Iraqi forces to criminals back home. As Chief Warrant Officer-5 Jim M. Roussell, an intelligence officer and 28-year veteran of the Chicago Police Department stated, "There are a lot of similarities between street gangs and the guys we're fighting out here." Working alongside Iraqi security forces, the marines rounded up nearly 900 crimi-

nals, thugs and terrorists and seized more than 75,000 munitions to make the local area safer for the Iraqi residents.

Fourth Force Service Support Group

Throughout my tenure as Commander, Marine Forces Reserve, I have made repeated visits to marines serving abroad. During a recent trip to Iraq with my senior enlisted advisor, Sgt. Maj. Robin W. Dixon, I visited our marines from Fourth Force Service Support Group (4th FSSG) who were serving with 1st FSSG. I can confidently state that the Reserve marines were fully integrated with 1st FSSG and were meeting all the challenges to ensure marines throughout Iraq had everything from food and medicine to mail and ammunition. They willingly braved dangerous roads filled with IEDs to ensure supplies arrive at their destination. Our marines who are on the front lines can do their tasks superbly because their needs back at the base camp are all being met by the marines of FSSG. From refueling to performing major overhauls on vehicles, to moving the fuel and materials of war from the rear to the front, to distributing "beans, bullets, and bandages"—the FSSG takes care of all the needs of their fellow marines.

The most sobering task that the Reserve marines from 4th FSSG perform in Iraq is Mortuary Affairs, which is predominately a Reserve mission. Chief Warrant Officer-2 Anthony L. High, the Officer in Charge of Mortuary Affairs, ensures that the remains of the fallen in Iraq return home with the proper dignity and respect they deserve for the price they have paid for our country. Even enemies killed in Fallujah were given burials commensurate with the customs and procedures of their native country and religious beliefs, winning approval of Iraqi religious leaders.

Fourth Marine Aircraft Wing

The accomplishments of Marine Aerial Refueler Transport Squadron 452 (VMGR–452), of Marine Aircraft Group 49, 4th Marine Aircraft Wing, under the command of Lt. Col. Bradley S. James, USMCR, a United Airlines pilot, supported by his senior enlisted advisor, Sgt. Maj. Leland H. Hilt, Jr., an auditor for the IRS, show the overwhelming commitment we impose on our Reserve marines. VMGR–452 has been activated twice since September 11. A detachment from VMGR–452 was activated in January 2002 to support OEF. The remainder of the squadron was activated later in support of OIF I. Upon deactivation, the squadron reverted back into their normal high operational tempo, supporting Reserve missions worldwide. The squadron supported the full spectrum of KC–130 missions that included aerial delivery in support of Special Operations Command (SOCOM), performing multiple aerial refueling missions in support of the Fleet Marine Force and the U.S. Army, logistics runs in support of Marine Forces Europe and deployed units in Djibouti, and support of a Hawaii Combined Arms Exercise (CAX). The entire squadron was reactivated in June 2004 and deployed in August to Al Asad Air Base, Al Anbar Province, Iraq. They quickly began combat operations in support of First MEF. The squadron conducted numerous types of tactical missions, to include logistics support, fixed-wing aerial refueling (FWAR) and radio relay throughout several countries to include Iraq, Kuwait, Qatar, Bahrain, Turkey and Italy. On 7 November, when Operation Phantom Fury commenced in Fallujah, VMGR–452 found its versatile KC–130 platforms greatly needed for a variety of missions. The squadron flew 341 sorties, logged 864.9 flight hours, transported 1,273,150 pounds of cargo and 1,980 personnel, and offloaded 4,324,300 pounds of fuel to 502 receivers during the operation. After Operation Phantom Fury, the squadron conducted its most important mission of the deployment—the movement of Iraqi election officials during Operation Citadel II. During this operation, the squadron transported over 1,200 Iraqi election officials from An Najaf to Al Taqaddum and Mosul so that they would be in place before the election on 30 January. Following the elections, the squadron transported the election officials back to An Najaf in less than 6 hours by running three fully loaded KC–130s continuously. February saw the squadron surpass 3,000 mishap-free flight hours for the deployment.

ACTIVATION PHILOSOPHY

Sustaining the force has been consistent with Total Force Marine Corps planning guidance. This guidance was based on a 12-month involuntary activation with a 7-month deployment, followed by a period of dwell time and, if required, a second 12-month involuntary reactivation and subsequent 7-month deployment. This force management practice was designed to enhance the warfighting and sustainment capability of the Marine Forces Reserve by providing trained, well-balanced and cohesive units ready for combat. We view this both an efficient and effective use of our Reserve Marines' 24-month cumulative activation as it serves to preserve Reserve

units to sustain the long-term nature of the global war on terrorism that will require future Reserve Force commitments.

ACTIVATION IMPACT

As of January 2005, the Marine Corps Reserve began activating approximately 3,000 Selected Marine Corps Reserve (SMCR) unit marines in support of the next OIF rotation and 500 SMCR unit marines in support of OEF. Even with judicious use of our assets and coordinated planning, the personnel tempo has increased. As the members of this committee know, Reserve marines are students or have civilian occupations that are also very demanding, and are their primary means of livelihood. In the past 2 years, 933 Reserve marines exceeded 400 days deployed time. In total, approximately 3,900 Reserve marines have been activated more than once; about 2,500 of whom are currently activated. Information from March 2005 indicates that approximately 65 percent of the current unit population and 47 percent of the current IMA population have been activated at least once. About 1 percent of our current IRR population deployed in support of OIF/OEF. If you include the number of marines who deployed as an active component and have since transferred to the IRR, the number reaches 31 percent. This is worth particular note as the IRR provides us needed depth—an added dimension to our capability. Volunteers from the IRR and from other Military Occupational Specialties (MOS), such as artillery, have been cross-trained to reinforce identifiable critical specialties.

Although supporting the global war on terrorism is the primary focus of the Marine Corps Reserve, other functions, such as pre-deployment preparation and maintenance, recruiting, training, facilities management and long term planning continue. The wise use of the Active-Duty Special Work (ADSW) program allows the Marine Corps to fill these short-term, full-time requirements with Reserve marines. In fiscal year 2004, the Marine Corps executed 947 work-years of ADSW at a cost of $49.1 million. Continued support and funding for this critical program will enhance flexibility thereby ensuring our Total Force requirements are met.

RECRUITING AND RETENTION

Like the Active component, Marine Corps Reserve units primarily rely upon a first term force. Each year approximately 6,000 new marines join Marine Corps Reserve units, while a similar number move into the IRR, IMAs, Active Reserve or Retired Reserve communities. Currently, the Marine Corps Reserve continues to recruit and retain quality men and women willing to manage commitments to their families, their communities, their civilian careers and the Corps. Recruiting and retention goals were met in fiscal year 2004, but the long-term impact of recent activations is not yet known. While current attrition is below the averages of previous years, the Marine Corps Reserve is monitoring post-mobilization retention very closely to assess the impact of deployment on marines, their families, and their civilian careers. As always, the training, leadership and quality of life of our marines remain significant Marine Corps priorities. Despite the high operational tempo, the morale and patriotic spirit of Reserve marines, their families, and employers remains extraordinarily high.

At the end of fiscal year 2004, the SMCR was over 39,600 strong. Part of this population is comprised of Active Reserve marines, IMAs, and Reserve marines in the training pipeline, but the preponderance, about 32,500, belong to the units of Marine Forces Reserve. An additional 60,000 marines serve as part of the IRR, representing a significant pool of trained and experienced prior service manpower, which, as stated, the Marine Corps has frequently drawn upon for volunteers. Reserve marines bring to the table not only their Marine Corps skills but also their civilian training and experience as well. The presence of police officers, engineers, lawyers, skilled craftsmen, business executives, and the college students who fill our Reserve ranks serves to enrich the Total Force. We are very mindful of the sacrifices that they and their employers make so that they may serve this country. The Marine Corps appreciates the recognition given by Congress to employer relations, insurance benefits and family support. Such programs should not be seen as "rewards" or "bonuses," but as tools that will sustain the force in the years ahead.

Support to the global war on terrorism has reached the point where 80 percent of the current Marine Corps Reserve leadership has deployed at least once. Nevertheless, the Marine Corps Reserve is currently achieving higher retention rates than the benchmark average from the last 3 fiscal years. As of January, fiscal year 2005, the Office of the Secretary of Defense (OSD) attrition statistics for Marine Corps Reserve unit officers is 10.9 percent compared to the current benchmark average of 15.8 percent. For the same time period, Reserve unit enlisted attrition is 6.4 percent compared to 8.5 percent average.

Good retention goes hand-in-hand with the successes of our recruiters. In fiscal year 2004, the Marine Corps Reserve achieved 100 percent of its recruiting goal for non-prior service recruiting (6,165) and exceeded its goal for prior service recruiting (2,083). For our Reserve component, junior officer recruiting remains the most challenging area. This is due mainly to the low attrition rate for company grade officers leaving the Active Force and that the Marine Corps recruits Reserve officers almost exclusively from the ranks of those who have first served an Active-Duty tour as a Marine Corps officer. We are successfully expanding Reserve commissioning opportunities for our prior-enlisted marines in order to grow some of our own officers from Marine Forces Reserve units and are exploring other methods to increase the participation of company grade officers in the SMCR through increased recruiting efforts and increased Active-Duty command emphasis on Reserve opportunities and participation. We thank Congress for the continued support of legislation to allow bonuses for officers in the SMCR who fill a critical skill or shortage. We are aggressively implementing the Selected Reserve Officer Affiliation Bonus program and expect it to fill 50 vacant billets this year, with plans to expand the program in the coming years. We appreciate your continued support and funding of incentives such as this, which offset the cost that officers must often incur in traveling to billets at Marine Corps Reserve locations nationwide.

QUALITY-OF-LIFE

Our future success will rely on the Marine Corps' most valuable asset—our marines and their families. We, Marine Forces Reserve, believe it is our obligation to arm our marines and their families with as much information as possible on the programs and resources available to them. Arming our marines and their families with information on their education benefits, available childcare programs, family readiness resources, and the health care benefits available to them, provides them with unlimited potential for their quality-of-life.

Education

Last year, I testified that there were no laws offering academic and financial protections for Reserve military members who are college students. I was glad to see that there is movement in Congress to protect our college students and offer greater incentives for all servicemembers to attend colleges. I appreciate recent 2005 legislation protecting a military member's college education investments and status when called to duty.

More than 1,000 Reserve marines chose to use tuition assistance in fiscal year 2004 in order to help finance their education. This tuition assistance came to more than $1.9 million in fiscal year 2004 for more than 3,700 courses. Many of these marines were deployed to Afghanistan and Iraq, and took their courses via distance learning courses. In this way tuition assistance helped to mitigate the financial burden of education and maintained progress in the marine's planned education schedule. We support continued funding of tuition assistance as currently authorized for activated Reserves. I fully support initiatives that will increase Montgomery G.I. Bill (MGIB) benefits for Reserve and National Guard servicemembers, as it is a key retention and recruiting tool and an important part of our commandant's guidance to enhance the education of all marines. House Resolution 4200, passed by both the House and Senate in October 2004 authorized MGIB benefits for certain Reserve and National Guard servicemembers and increased the benefits for others. I heartily thank you for this initiative and look forward to it's anticipated implementation by the Department of Veterans Affairs (VA) in September 2005.

Child Care Programs

Marines and their families are often forced to make difficult choices in selecting childcare, before, during and after a marine's deployment in support of the global war on terror. We are deeply grateful for the joint initiative funded by the Department of Defense (DOD) and announced on March 3, 2005, by the Boys and Girls Clubs of America and the National Association of Child Care Resource and Referral Agencies. Without the fiscal authorization provided by the Senate and House, these programs could not have been initiated or funded. These combined resources have immeasurably contributed to the quality-of-life of our marines' and their families. I thank you all for your support in the past and the future in providing sufficient funds for these key initiatives.

Family Readiness

Everyone in Marine Forces Reserve recognizes the strategic role our families have in our mission readiness, particularly in our mobilization preparedness. We help our families to prepare for day-to-day military life and the deployment cycle (pre-deploy-

ment, deployment, post-deployment, and follow-on) by providing educational opportunities at unit family days, pre-deployment briefs, return and reunion, post-deployment briefs and through programs such as the Key Volunteer Network (KVN) and Lifestyle Insights, Networking, Knowledge and Skills (L.I.N.K.S.). We also envision the creation of regional quality-of-life coordinators, similar to the Marine Corps Recruiting Command program, for our Reserve marines and their families.

At each of our Reserve Training Centers, the KVN program serves as the link between the command and the family members, providing them with official communication, information and referrals. The key volunteers, many of whom are parents of young, unmarried marines, provide a means of proactively educating families on the military lifestyle and benefits, provide answers for individual questions and areas of concerns and, perhaps most importantly, enhance the sense of community within the unit. The L.I.N.K.S. program is a spouse-to-spouse orientation service offered to family members to acquaint them with the military lifestyle and the Marine Corps, including the challenges brought about by deployments. Online and CD–ROM versions of L.I.N.K.S makes this valuable tool more readily accessible to families of Reserve marines not located near Marine Corps installations.

Marine Corps Community Services (MCCS) OneSource is another important tool that provides marines and their families with around-the-clock information and referral service for subjects such as parenting, childcare, education, finances, legal issues, elder care, health, wellness, deployment, crisis support, and relocation via toll-free telephone and Internet access.

The peacetime/wartime support team and the support structure within the inspector and instructor staff uses all these tools to provide families of activated or deployed marines with assistance in developing proactive, prevention-oriented steps such as family care plans, powers of attorney, family financial planning, and enrollment in the Dependent Eligibility and Enrollment Reporting System.

All of these programs depend on adequate funding of our manpower and operations and maintenance (O&M) accounts.

Managed Health Network

Managed Health Network, through a contract with the DOD, is providing specialized mental health support services to military personnel and their families. This unique program is designed to bring counselors on-site at Reserve Training Centers to support all phases of the deployment cycle. Marine Forces Reserve is incorporating this resource into family days, pre-deployment briefs, and return and reunion briefs to ensure a team approach. Follow-up services are then scheduled after marines return from combat at various intervals to facilitate on-site individual and group counseling.

TRICARE

Since September 11, Congress has gone to great lengths to improve TRICARE benefits available to the Guard and Reserve and we are very appreciative to Congress for all the recent changes to the program. Beginning April 2005, TRICARE Reserve Select will be implemented, providing eligible Guard and Reserve members with comprehensive health care. This new option, similar to TRICARE Standard, is designed specifically for Reserve members activated on or after September 11, 2001, who enter into an agreement to serve continuously in the Selected Reserve for a period of 1 or more years. Other key provisions include coverage for Selected Reserves after an activation, which provides a year of coverage while in non-Active-Duty status for every 90 days of consecutive Active-Duty. The member must agree to remain in the Selected Reserve for one or more whole years. Also, a permanent earlier eligibility date for coverage due to activation has been established at up to 90 days before an Active-Duty reporting date for members and their families.

The new legislation also waives certain deductibles for activated members' families. This reduces the potential double payment of health care deductibles by members' civilian coverage. Another provision allows DOD to protect the beneficiary by paying the providers for charges above the maximum allowable charge. Transitional health care benefits have been established, regulating the requirements and benefits for members separating. We are thankful for these permanent changes that extend health care benefits to family members and extend benefits up to 90 days prior to their activation date and up to 180 days after de-activation.

Reserve members are also eligible for dental care under the Tri-Service Dental Plan for a modest monthly fee. In an effort to increase awareness of the new benefits, Reserve members are now receiving more information regarding the changes through an aggressive education and marketing plan. I would like to also ask Congress and this committee for their support of the new fiscal year 2005 legislation

that includes improvements. These initiatives will further improve the health care benefits for our Reserves and National Guard members and families.

Casualty Assistance

One of the most significant responsibilities of the site support staff is that of casualty assistance. It is at the darkest hour for our marine families that our support is most invaluable. By virtue of our dispersed posture, Marine Forces Reserve site support staffs are uniquely qualified to accomplish the majority of all Marine Corps casualty notifications and provide the associated family assistance. Currently, Marine Forces Reserve conducts approximately 92 percent of all notifications and follow-on assistance for the families of our fallen Marine Corps brethren. In recognition of this greatest of sacrifices, there is no duty to our families that we treat with more importance. However, the duties of our casualty assistance officers (CAOs) go well beyond notification. We ensure that they are adequately trained, equipped and supported by all levels of command. Once an officer or staff noncommissioned officer (NCO) is designated as a CAO, he or she assists the family members in every possible way, from planning the return and final rest of their marine, counseling them on benefits and entitlements, to providing a strong shoulder when needed. The casualty officer is the family's central point of contact, serving as a representative or liaison with the media, funeral home, government agencies, or any other agency that may be involved. Every available asset is directed to our marine families to ensure they receive the utmost support. The Marine Corps Reserve also provides support for military funerals for our veterans. The marines at our Reserve sites performed 7,621 funerals in calendar year 2004.

The Marine Corps is also committed to supporting the wishes of seriously injured marines, allowing them to remain on Active-Duty if they desire or making their transition home as smooth as possible. Leveraging the organizational network and strengths of the Marine for Life (M4L) Program, we are currently implementing an injured support program to assist injured marines, sailors serving with marines, and their families. The goal is to bridge the gap between military medical care and the VA—providing continuity of support through transition and assistance for several years afterwards. Planned features of the program include: advocacy for marines, sailors, and their families within the Marine Corps and with external agencies; pre- and post-service separation case management; assistance in working with physical evaluation boards; an interactive Web site for disability/benefit information; an enhanced MCCS OneSource capability for 24/7/365 information; facilitation assistance with Federal hiring preferences; coordination via an assigned marine liaison with veterans, public, and private organizations providing support to our seriously injured; improved VA handling of marine cases; and development of any required proposals for legislative changes to better support our marines and sailors. This program began limited operations in early January 2005. We are able to support these vitally important programs because of the wide geographic dispersion of our units.

Marine for Life

Our commitment to take care of our own includes a marine's transition from honorable military service back to civilian life. Initiated in fiscal year 2002, the M4L program continues to provide support for 27,000 marines transitioning from Active service back to civilian life each year. Built on the philosophy, Once a Marine, Always a Marine, Reserve marines in over 80 cities help transitioning marines and their families to get settled in their new communities. Sponsorship includes assistance with employment, education, housing, childcare, veterans' benefits, and other support services needed to make a smooth transition. To provide this support, the M4L program taps into a network of former marines and marine-friendly businesses, organizations and individuals willing to lend a hand to a marine who has served honorably. Approximately 2,000 marines are logging onto the Web-based electronic network for assistance each month. Assistance from career retention specialists and transitional recruiters helps transitioning marines tremendously by getting the word out about the program.

Employer Support

Members of the Guard and Reserve who choose to make a career must expect to be subject to multiple activations. Employer support of this fact is essential to a successful activation and directly effects retention and recruiting. With continuous rotation of Reserve marines, we recognize that a rapid deactivation process is a high priority to reintegrate marines back into their civilian lives quickly and properly in order to preserve the Reserve Force for the future. We support incentives for employers who support their activated Guard and Reserve employees such as the Small Business Military reservist Tax Credit Act, which allows small business employers

a credit against income tax for employees who participate in the military Reserve component and are called to Active-Duty.

EQUIPMENT

Currently, the Marine Corps has approximately 30 percent of its ground equipment forward deployed. In certain critical, low-density items, this percentage is closer to 50 percent. This equipment has been sourced from the Active component, Marine Forces Reserve, the maritime prepositioned force as well as equipment from Marine Corps Logistics Command stores and war reserves. Primarily, our contributed major items of equipment remain in theater and rotating Marine Forces fall in on the in-theater assets. In some cases where extraordinary use has resulted in the inordinate deterioration of equipment (such as the Corps' Light Armored Vehicles), equipment rotations have been performed as directed and managed by Marine Corps headquarters.

Maintaining current readiness levels will require continued support as our equipment continues to age at a pace exceeding replacement peace time rates. The global war on terrorism equipment usage rates average eight to one over normal peacetime usage due to continuous combat operations. This high usage rate in a harsh operating environment, coupled with the added weight of added armor and unavoidable delays of scheduled maintenance due to combat, is degrading our equipment at an accelerated rate. If this equipment returns to the Continental United States, costly, extensive service life extension and overhaul/rebuild programs will be required in order to bring this equipment back into satisfactory condition. My recommendation would be to leave the worn out equipment behind and procure new equipment.

Even with these wartime demands, equipment readiness rates for Marine Forces Reserve deployed ground equipment in the Central Command (CENTCOM) area of responsibility (AOR) is averaging 93 percent. At home, as we continue to aggressively train and prepare our marines, we have maintained ground equipment readiness rates of 91 percent. The types of equipment held by home training centers are the same as those held within the Active component. However, the "set" of ground equipment presently in garrison is not the full equipment combat allowance for Marine Forces Reserve. To reach the level of full equipment combat allowance for Marine Forces Reserve would require us to draw ground equipment from other allowances and inventory options across the Marine Corps. Additionally, due to the Marine Corps' cross-leveling efforts of equipment inventories to support home station shortfalls resulting from equipment deployed in support of the global war on terrorism, Marine Forces Reserve will experience significant equipment shortfalls of communication and electronic equipment. This specific equipment type shortfall will approximate 10 percent across the force in most areas, and somewhat greater for certain low density black box type equipment sets. Also, an infantry battalion of equipment originating from Marine Forces Reserve remains in support of deployed forces in the CENTCOM AOR. Although the equipment shortfalls will not preclude sustainment training within the force, the equipment availability is not optimal.

Strategic Ground Equipment Working Group

For the past year, headquarters, Marine Corps installations and logistics have chaired the Strategic Ground Equipment Working Group (SGEWG). The mission of this organization is to best position the Corps' equipment to support the needs of the deployed global war on terrorism forces, the Corps' strategic programs, and training of non-deployed forces. My staff has been fully engaged in this process and the results have been encouraging for Marine Forces Reserve, leading to an increase in overall supply readiness of approximately 5 percent. The efforts of the SGEWG, combined with the efforts of my staff to redistribute equipment to support non-deployed units, have resulted in continued training capability for the Reserve Forces back home.

Individual Combat Clothing and Equipment, Individual Protective Equipment

In order to continue seamless integration into the Active component, my ground component priorities are the sustained improvement of individual combat clothing and equipment, individual protective equipment, and overall equipment readiness. I am pleased to report that every Reserve marine deployed over the past year in support of OIF and OEF, along with those currently deployed into harm's way, were fully equipped with the most current individual clothing/combat equipment (ICCE) and individual protective equipment (IPE). Continued funding support in this area is most appreciated.

National Guard and Reserve Equipment Appropriation

National Guard and Reserve Equipment Appropriation (NGREA) continues to provide extraordinary leverage in fielding critical equipment to your Guard and Reserves. In fiscal year 2005, NGREA provided $50 million ($10 million for OIF/OEF requirements, and $40 million for title III procurement requirements), enabling us to robustly respond to the pressing needs of the individual marine, Total Force, and combatant commanders in both ground and aviation programs. This funding also enhanced our ability to sustain the readiness of our units in support of OEF and OIF. NGREA enabled the procurement of important systems such as the virtual combat convoy trainer-marine (VCCT–M), a cognitive skills simulator that provides realistic convoy crew training and incidental driver training to your marines. The first of these systems will be deployed to Naval Station Seal Beach, home site to 5th Battalion, 14th Marine Regiment, to assist in their preparation for deployment to Iraq. Another device procured through NGREA is the medium tactical vehicle replacement training simulator, a combined operator and maintenance training system that supports our new medium tactical vehicle. We have also been able to phase out our legacy simulator systems with the purchase of 50 indoor simulated marksmanship trainer-enhanced (ISMT–E) systems. Fourth Marine aircraft wing has procured critically needed warfighting requirements such as another 4 HNVS FLIR systems for the CH–53Es, 10 sets of aircraft survivability equipment for the AH–1Ws, and 26 sets of lightweight armor/cockpit seats for the CH–46s. I am also proud to report that we have a combat capable F/A–18A+ squadron currently deployed as a direct result of previous years' NGREA funding for F/A–18A ECP–583 upgrades. Marine Fighter/Attack Squadron–142 has already seen action in Iraq.

Critical Asset Rapid Distribution Facility

In order to ensure that this equipment is available to the deploying forces, I created the Marine Forces Reserve Materiel Prepositioning Program and designated my special training allowance pool (which traditionally held such items as cold weather gear) as the Critical Asset Rapid Distribution Facility (CARDF). The CARDF has been designated as the primary location for all newly fielded items of individual clothing and combat equipment for issue to Marine Forces Reserve. Equipment such as the improved load bearing equipment, lightweight helmet, and improved first aid kit has been sent to the CARDF for secondary distribution to deploying units.

Training Allowance

For principle end items (PEIs), Marine Forces Reserve units have established training allowances (on average approximately 80 percent of their established table of equipment). This equipment represents the minimum needed by the unit to maintain the training readiness necessary to deploy, while at the same time is within their ability to maintain under routine conditions. Establishment of training allowances allows Marine Forces Reserve to better cross level equipment to support the continental U.S. training requirements of all units of the force with a minimal overall equipment requirement. Of course, this concept requires the support of the service to ensure that the "delta" between a unit's training allowance and table of equipment (that gear necessary to fully conduct a combat mission) is available in the event of deployment. Current Headquarters Marine Corps policy of retaining needed equipment in theater for use by deploying forces ensures that mobilized Marine Forces Reserve units will have the PEIs necessary to conduct their mission. Continued congressional funding for Marine Corps equipment procurement/replacement will remain vital in order for the service to continue to do what the Nation asks, and I am confident that you will continue to respond to the needs of your Marine Corps.

INFRASTRUCTURE

Marine Forces Reserve is and will continue to be a community-based force. This is a fundamental strength of Marine Forces Reserve. Our long-range strategy is to retain that strength by maintaining our connection with communities in the most cost effective way. We are not, nor do we want to be, limited exclusively to large metropolitan areas nor consolidated into a few isolated enclaves, but rather we intend to divest Marine Corps-owned infrastructure and locate our units in Joint Reserve Training Centers throughout the country. Marine Forces Reserve units are currently located at 185 sites in 48 States, the District of Columbia, and Puerto Rico; 35 sites are owned or leased by the Marine Corps Reserve, 150 are either tenant or joint sites. Fifty-four percent of the Reserve centers we occupy are more than 30 years old, and of these, 41 are over 50 years old.

The age of our infrastructure means that much of it was built before Anti-Terrorism/Force Protection (AT/FP) was a major consideration in design and construction. These facilities require AT/FP resolution through structural improvements, relocation, replacement or the acquisition of additional stand-off distance. With the changes in force structure mentioned earlier, extensive facilities upgrades are required at a few locations. Maintaining adequate facilities is critical to training that supports our readiness and sends a strong message to our marines and sailors about the importance of their service.

BRAC 2005

We look at Base Realignment and Closure (BRAC) 2005 as an opportunity to realize our long-range strategic infrastructure goals through efficient joint ventures and increased training center utilization without jeopardizing our community presence. In cooperation with other Reserve components, notably the Army Reserve and the Army National Guard, we are working toward Reserve basing solutions that reduce restoration and modernization backlogs and AT/FP vulnerability.

CONCLUSION

As I have stated in the beginning of my testimony, your consistent and steadfast support of our marines and their families has directly contributed to our successes, both past and present, and I thank you for that support. As we push on into the future, your continued concern and efforts will play a vital role in the success of Marine Forces Reserve. Due to the dynamics of the era we live in, there is still much to be done.

The Marine Corps Reserve continues to be a very young force and is always looking for outstanding citizens who strive to give their best for their country. Recruiting initiatives, especially within the education realm, are always an added incentive for our prospective marines.

I would also ask for your continued support for initiatives that provide assistance to the Reserve and Guard members, their families and employers who are sacrificing so much in support of our Nation. Despite strong morale and good planning, activations, and deployments place great stress on these Americans. Employer incentives, educational benefits, medical care and family care are just some of the issues that would contribute to the sustainment of Reserve marines.

Equipment and facilities are the last two areas of concern that I have. The continuous support from congress for upgrades to our warfighting equipment has directly impacted the saving of American lives on the battlefield. However, as I stated earlier, our current operational tempo has led to the rapid deterioration of much of the same fighting equipment throughout the force. In this regard, I fully support the fiscal year 2005 supplemental request and, in particular, actions taken by the House to provide funding for our top priorities: Light Armored Vehicles (LAV) and LAV Product Improvement Program. I ask the Senate to do the same.

Although we currently maintain a high level of readiness, we will need significant financial assistance to help maintain and/or replace our warfighting equipment in the very near future. Also, as the Marine Forces Reserve makes adjustments in warfighting capabilities over the next 2 years, several facilities will need to be converted to provide a proper training environment for the new units. Funding for these conversions would greatly assist our warfighting capabilities.

My time as Commander, Marine Forces Reserve has been tremendously rewarding. Testifying before congressional committees and subcommittees has always been a great pleasure, as it has afforded me the opportunity to let the American people know what an outstanding patriotic group of citizens we have in the Marine Corps Reserve. Thank you for your continued support.

PREPARED STATEMENT BY LT. GEN. JOHN A. BRADLEY, USAF

Mr. Chairman, and distinguished members of the committee, I appreciate the opportunity to appear before you today. I want to thank you for your continued support, which has helped your Air Force Reserve (AFR) address vital recruiting, retention, modernization, and infrastructural infrastructure needs. Your passage of last year's pay and quality of life initiatives sent a clear message to our citizen Airmen that their efforts are appreciated and supported by the American people, and also by those of you in the highest positions of government. Wherever you find the United States Air Force (USAF), at home or abroad, you will find the Active and Reserve members working side-by-side, trained to one tier of readiness, seamlessly integrated into a military force that is READY NOW!

TOTAL FORCE

The AFR continues to address new challenges in 2005. Although partial mobilization persists, demobilizations have increased significantly. In spite of the strains that mobilization has placed on the personal and professional lives of our Reserve members, volunteerism continues to be a significant means of contribution. Volunteerism is the preferred method of fulfilling requirements for future global war on terror actions. While dedicated members of the AFR continue to meet validated operational requirements, the AFR, in cooperation with the Air Force personnel requirements division is exploring ways to enhance volunteerism, including use of volunteer IRR members. Recruiting and retention of quality servicemembers are top priority for the AFR and competition for these members among other services, as well as within the civilian community has reached an all-time high.

Recruiting

In fiscal year 2004, and for the last 4 consecutive years, Air Force Reserve Command (AFRC) exceeded its recruiting goal. This remarkable feat is achieved through the outstanding efforts of our recruiters and with the superb assistance of our Reserve members who help tell our story of public service to the American people. Despite the long-term effects of high operations tempo (OPTEMPO) and personnel tempo (PERSTEMPO), AFRC only fell short of its fiscal year 2004 end-strength by .7 percent, reaching 99.37 percent, or merely 578 assigned short of congressionally funded requirements.

Recruiting continues to face significant challenges. The pool of Active-Duty separatees continues to shrink from itsdue height prior to force reductions over the last decade ago, and the competition for these members has become even keener. The Active-Duty is intensifying its efforts in retention and the National Guard is competing for these assets as well. Additionally, the current high OPTEMPO/PERSTEMPO and a perceived likelihood of activation and deployment are being routinely cited as significant reasons why separating members are declining to choose continuing military service in the Reserve. These issues further contribute to the civilian sector's ability to attract these members away from military service. One consequence of the reduced success in attracting separating members from Active-Duty is the need to make up this difference through attracting non-prior service (NPS) members. Historically, Reserve recruiting accesses close to 25 percent of eligible separating Active-Duty Air Force members (i.e. no break in service), which accounts for a significant portion of annual accessions. While having enough Basic Military Training (BMT) and Technical Training School quotas has long been an issue, the increased dependence on NPS accessions strains these requirements even further. To meet training requirements, 4,000 training slots per year are now allocated and funded for the AFR.

A new forecasting tool developed by our training division allows everyone, from unit level to wing training managers, to Numbered Air Force (NAF) and AFRC Air Force Specialty Code (AFSC) functional managers, to participate in the forecasting with the Chief of Recruiting Services providing final approval.

Finally, with overall end strength of the AFR dipping below 100 percent, some career-fields are undermanned. In order to avoid possible readiness concerns, recruiters will continue to meet the challenge of guiding applicants to critical job specialties.

The Reserve is taking advantage of an Active-Duty Force shaping initiative. Beginning in fiscal year 2004 and ending in fiscal year 2005, the Air Force will offer Active-Duty members the opportunity to use the Palace Chase program to change components. The AFR is using this opportunity to access prior servicemembers with critical career skills. In fiscal year 2004, 1,200 Active-Duty members utilized Palace Chase to join the Air Reserve component, with over half selecting the Air Force Reserve. This number may grow in fiscal year 2005.

For recruits who have not served in a military component, the development of the Split Training Option which began in October 2003, provides a flexible tool for recruiters to use in scheduling BMT classes and technical school classes at non-consecutive times.

Retention

Though retention was improved through "Stop-Loss" in recent years, the eventual effects of this program were realized in fiscal year 2004. Retention in both officer and enlisted categories has remained strong. Fiscal year 2004 ended with officer retention at 92.3 percent and overall enlisted retention at 88.4 percent. These retention rates are in line with averages over the last 5 years.

As the Reserve component continues to surge to meet operational requirements necessary for the successful prosecution of the global war on terrorism, we continue

to examine existing laws and policies that govern enlisted incentives and related compensation issues. The Reserve enlisted bonus program is a major contributor to attract and retain both unit and individual mobilization augmentee members in those critical unit type code tasked career fields. To enhance retention of our reservists, we work to ensure relevant compensation statutes reflect the growing reliance on the Reserve component to accomplish Active-Duty missions and provide compensatory equity between members of both components. The reenlistment bonus authority of the Active and Reserve components is one area we are working to change. We continue to explore the feasibility of expanding the bonus program to our Active Guard Reserve (AGR) and Air Reserve Technician (ART) members; however, no decision has yet been made to implement this. In addition, the Aviation Continuation Pay (ACP), the Career Enlisted Flyers Incentive Pay (CEFIP) and Aircrew Incentive Pay (ACIP) continue to be offered to retain our rated assets, both officer and enlisted.

The Reserve has made many strides in increasing education benefits for our members, offering 100 percent tuition assistance for those individuals pursuing an undergraduate degree and continuing to pay 75 percent for graduate degrees. We also employ the services of the Defense Activity for Non-Traditional Education Support (DANTES) for College Level Examination Program (CLEP) testing for all reservists and their spouses.

We will continue to seek innovative ways to enhance retention.

Quality-of-Life Initiatives

We expanded the AFR Special Duty Assignment Pay (SDAP) program by including an additional six Air Force specialty codes to enhance recruitment and retention, improve program alignment, and provide parity to Reserve members. Where there is Reserve strength, the expansion authorizes the payment of SDAP to a reservist qualifying in the same skill and location as their Active-Duty counterpart. The AFR SDAP program has continued to evolve and improve since Secretarial authority removed the tour length requirement for the Air Reserve component in July 2000.

We appreciate the support provided in the National Defense Authorization Act (NDAA) for Fiscal Year 2005 that expanded the Reserve health benefits. At your direction, the Department is implementing the new TRICARE Reserve benefits that will ensure the individual medical readiness of members of the Guard and Reserve, and contribute to the maintenance of an effective AFR force. The Department has made permanent their early access to TRICARE upon notification of call-up and their continued access to TRICARE for 6 months following Active-Duty service for both individuals and their families. We are implementing the TRICARE Reserve Select (TRS) coverage for AFR personnel and their families who meet the requirements established in law. TRS is a premium-based healthcare plan available for purchase by certain eligible members of the National Guard and Reserves who have been activated for a contingency operation since September 11, 2001. This program will serve as an important bridge for all Reserve and Guard members as they move back to other employment and the utilization of the private health care market. We believe that the design of TRS in a manner that supports retention and expands health benefits is creative and should be studied before any futher adjustments are contemplated.

The NDAA for Fiscal Year 2004 included some temporary authorities, providing enhanced Health Care/TRICARE benefits for RC members. Under Section 702, Selected Reserve members with proof of unemployment became eligible to purchase TRICARE benefits. Policy guidance is required prior to implementation. Under Section 703, members activated in support of a contingency operation for more than 30 days are also eligible for this program. Members and their families became eligible for benefits upon receipt of a delayed-effective-order to Active-Duty for more than 30 days in support of a contingency operation, or up to 60 days before the date on which the 30-day period of Active-Duty is to commence, whichever is later. Policy guidance has been implemented. Additionally, the NDAA extended the Transitional Assistance Management Program benefit period from 60 and 120 days to 180 days for eligible members and their families. Benefits under these temporary authorities were effective from 6 November 2003 to 31 December 2004.

A change in the Joint Federal Regulation Travel policy authorized expenses for retained lodging for a member who takes leave during a TDY contingency deployment to be paid as a reimbursable expense. This change became effective 24 February 2004, and has since alleviated the personal and financial hardship deployed reservists experience with regard to retaining lodging and losing per diem while taking leave.

FLEET MODERNIZATION

F–16 Fighting Falcon

Air combat command and AFRC are upgrading the F–16 Block 25/30/32 in all core combat areas by installing global positioning system (GPS) navigation system, night vision imaging system (NVIS) and NVIS compatible aircraft lighting, situational awareness data link (SADL), target pod integration, GPS steered "smart weapons," an integrated electronics suite, pylon integrated dispenser system (PIDS), digital terrain system (DTS), and the ALE–50 (towed decoy system). The acquisition of the Litening advanced targeting pod (ATP) marked the greatest jump in combat capability for AFRC F–16s in years. At the conclusion of the Persian Gulf War, it became apparent that the ability to employ precision-guided munitions, specifically laser-guided bombs, would be a requirement for involvement in future conflicts. Litening affords the capability to employ precisely targeted laser-guided bombs (LGBs) effectively in both day and night operations, any time at any place. This capability allows AFRC F–16s to fulfill any mission tasking requiring a self-designating, targeting-pod platform, providing needed relief for heavily tasked Active-Duty units. These improvements, and recent funding to upgrade all Litening pods to the latest version (Litening AT), have put AFRC F–16s at the leading edge of combat capability. The combination of these upgrades are unavailable in any other combat aircraft and make the Block 25/30/32 F–16 the most versatile combat asset available to a theater commander.

Tremendous work has been done to keep the Block 25/30/32 F–16 employable in today's complex and demanding combat environment. This success has been the result of farsighted planning that has capitalized on emerging commercial and military technology to provide specific capabilities that were projected to be critical. That planning and vision must continue if the F–16 is to remain useable as the largest single community of aircraft in America's fighter force. Older model Block 25/30/32 F–16 aircraft require structural improvements to guarantee that they will last as long as they are needed. They also require data processor and wiring system upgrades in order to support employment of more sophisticated precision attack weapons. These models must have improved pilot displays to integrate and present the large volumes of data now provided to the cockpit. Additional capabilities are needed to eliminate fratricide and allow weapons employment at increased range, day or night and in all weather conditions. They must also be equipped with significantly improved threat detection, threat identification, and threat engagement systems in order to meet the challenges of combat survival and employment for the next 20 years.

A/OA–10 Thunderbolt

There are five major programs over the next 5 years to ensure the A/OA–10 remains a viable part of the total Air Force. The first is increasing its precision engagement capabilities. The A–10 was designed for the Cold War and is the most effective Close Air Support (CAS) anti-armor platform in the USAF, as demonstrated during the Persian Gulf War. Unfortunately, its systems have not kept pace with modern tactics as was proven during Operation Allied Force. Until the Litening II ATP was integrated, the AGM–65 (Maverick) was the only precision-guided weapon carried on the A–10. The integration method used to employ the targeting, however, was an interim measure and the A–10 still lacks a permanent, sustainable means of integrating the Litening pod into its avionics. Additionally, there has been a critical need for a datalink to help identify friendly troops and vehicles, which will reduce fratricide. There has been a datalink solution available for the A–10 since 1996 and is currently employed on the F–16. Newer weapons are being added to the Air Force inventory regularly, but the current avionics and computer structure limits the deployment of these weapons on the A–10. The Precision Engagement (PE) and Suite 3 programs will help correct this limitation, but the AFR does not expect to see PE installed until fiscal year 2008 and it still does not include a datalink. Next, critical systems on the engines are causing lost sorties and increased maintenance activity. Several design changes to the accessory gearbox will extend its useful life and reduce the existing maintenance expense associated with the high removal rate. The other two programs increase the navigation accuracy and the overall capability of the fire control computer, both increasing the weapons system's overall effectiveness.

Looking to the future, there is a requirement for a training package of 30 PRC–112B/C survival radios for 10th Air Force fighter, rescue, and special operations units. While more capable, these radios are also more demanding to operate and additional units are needed to ensure the aircrews are fully proficient in their operation.

One of the A–10 challenges is resource money for upgrade in the area of high threat survivability. Previous efforts focused on an accurate missile warning system and effective, modern flares; however, a new preemptive covert flare system may satisfy the requirement. The A–10 can leverage the work done on the F–16 Radar Warning Receiver and C–130 towed decoy development programs to achieve a cost-effective capability. The A/OA–10 has a thrust deficiency in its operational environment. As taskings evolved, commanders have had to reduce fuel loads, limit take-off times to early morning hours and refuse taskings that increase gross weights to unsupportable limits. Forty-five AFRC A/OA–10s need upgraded structures and engines (2 engines per aircraft plus 5 spares for a total of 95 engines).

B–52 Stratofortress

In the next 5 years, several major programs will be introduced to increase the capabilities of the B–52 aircraft. Included here are programs such as a crash survivable flight data recorder and a standard flight data recorder, upgrades to the current electro-optical viewing system, chaff and flare improvements, and improvements to cockpit lighting and crew escape systems to allow use of night vision goggles.

Enhancements to the AFRC B–52 fleet currently under consideration are:

- Visual clearance of the target area in support of other conventional munitions employment;
- Self-designation of targets, eliminating the current need for support aircraft to accomplish this role;
- Target coordinate updates to JDAM and WCMD, improving accuracy; and
- Bomb damage assessment of targets.

In order to continue the viability of the B–52, several improvements and modifications are necessary. Although the aircraft has been extensively modified since its entry into the fleet, the advent of precision guided munitions and the increased use of the B–52 in conventional and operations other than war (OOTW) operation require additional avionics modernization and changes to the weapons capabilities such as the avionics midlife improvement, conventional enhancement modification (CEM), and the integrated conventional stores management system (ICSMS). Changes in the threat environment are also driving modifications to the defensive suite including situational awareness defense improvement and the electronic counter measures improvement (ECMI).

Recently, the B–52 began using the Litening advanced targeting pod to locate targets and employ precision weapons. The targeting pod interface has adapted equipment from an obsolete system. The system works but requires an updated system to take full advantage of the targeting pod capability.

Like the A–10, it also requires a datalink to help reduce fratricide as its mission changes to employ ordinance closer and closer to friendly forces. The Litening pod continues to see incremental improvements but needs emphasis on higher resolution sensors and a more powerful, yet eye-safe laser, to accommodate the extremely high employment altitudes (over 40,000 feet) of the B–52.

The B–52 was originally designed to strike targets across the globe from launch in the United States. This capability is being repeatedly demonstrated, but the need for real time targeting information and immediate reaction to strike location changes is needed. Multiple modifications are addressing these needs. These integrated advanced communications systems will enhance the B–52 capability to launch and modify target locations while airborne. Other communications improvements are the Global Air Traffic Management (GATM) Phase 1, an improved ARC–210, the KY–100 Secure Voice, and a GPS–TACAN Replacement System.

As can be expected with an airframe of the age of the B–52, much must be done to enhance its reliability and replace older, less reliable or failing hardware. These include a fuel enrichment valve modification, engine oil system package, and an engine accessories upgrade, all to increase the longevity of the airframe.

MC–130H Talon

In 2006, AFRC and Air Force Special Operations Command will face a significant decision point on whether on not to retire the Talon I. This largely depends on the determination of the upcoming SOF Tanker Requirement Study. Additionally, the MC–130H Talon II aircraft will be modified to air refuel helicopters. The Air Force CV–22 is being developed to replace the entire MH–53J Pave Low fleet, and the MC–130E Combat Talon I. The CV–22 program has been plagued with problems and delays and has an uncertain future. Ultimately, supply and demand will impact willingness and ability to pay for costly upgrades along with unforeseeable expenses required to sustain an aging weapons system.

HC–130P/N Hercules

Over the next 5 years, there will be primarily sustainability modifications to the weapons systems to allow it to maintain compatibility with the remainder of the C–130 fleet. In order to maintain currency with the Active-Duty fleet, AFRC will accelerate the installation of the APN–241 as a replacement for the APN–59. Additionally, AFRC will receive two aircraft modified from the "E" configuration to the search and rescue configuration. All AFRC assets will be upgraded to provide night vision imaging system (NVIS) mission capability for C–130 combat rescue aircraft.

HH–60G Pave Hawk

Combat search and rescue (CSAR) mission area modernization strategy currently focuses on resolving critical weapon system capability shortfalls and deficiencies that pertain to the combat Air Force's combat identification, data links, night/all-weather capability, threat countermeasures, sustainability, expeditionary operations, and Para rescue modernization efforts. Since the CAF's CSAR forces have several critical capability shortfalls that impact their ability to effectively accomplish their primary mission tasks today, most CSAR modernization programs/initiatives are concentrated in the near-term (fiscal year 2000–2006). These are programs that:

- Improve capability to pinpoint location and authenticate identity of downed aircrew members/isolated personnel;
- Provide line-of-sight and over-the-horizon high speed LPI/D data link capabilities for improving battle space/situational awareness;
- Improve command and control capability to rapidly respond to "isolating" incidents and efficiently/effectively task limited assets;
- Improve capability to conduct rescue/recovery operations at night, in other low illumination conditions, and in all but the most severe weather conditions;
- Provide warning and countermeasure capabilities against RF/IR/EO/DE threats; and
- Enhance availability, reliability, maintainability, and sustainability of aircraft weapon systems.

WC/C–130J Hercules

The current fleet is being replaced with new WC–130J models. This replacement allows for longer range and ensures weather reconnaissance capability well into the next decade. Once conversion is complete, the 53rd weather reconnaissance squadron will consist of 10 WC–130Js. Presently, there are 10 WC–130J models at Keesler Air Force Base (AFB), MS undergoing qualification test and evaluation (QT&E). Deliveries were based on the resolution of deficiencies identified in test and will impact the start of operational testing and the achievement of interim operational capability (IOC). Major deficiencies include: propellers (durability/supportability) and radar tilt and start up attenuation errors. AFRC continues to work with the manufacturer to resolve the QT&E documented deficiencies.

C–5 Galaxy

Over the next 4 years, there will be primarily sustainability modifications to the weapons systems to allow the C–5 to continue as the backbone of the airlift community. Several major modifications will be performed on the engines to increase reliability and maintainability. Additionally, the remainder of the fleet will receive the avionics modernization that replaces cockpit displays while upgrading critical navigational and communications equipment. Also, consideration is being made to install Aircraft Defensive Systems on C–5A aircraft. Installation of Aircraft Defensive Systems will increase the survivability of the C–5A in hostile situations.

C–17 Globemaster

In the summer of fiscal year 2005, the first AFRC Unit Equipped C–17 squadron will stand up at March AFB. This new squadron will enhance the mobility capabilities for the United States military in peacetime and in conflict by rapid strategic delivery of troops and all type of cargo while improving the ability of the total airlift system to fulfill the worldwide air mobility requirements.

C–141 Starlifter

For the past 31 years, the C–141 has been the backbone of mobility for the United States military in peacetime and in conflict. In September 2004 the C–141 retired from the Active-Duty Air Force; however, Air Force Reserve Command will continue the proud heritage of this mobility workhorse and will fly the C–141 through the third quarter of fiscal year 2006. AFRC remains focused in flying the mission of the C–141 and looks to the future in transitioning to a new mission aircraft.

C–130 Hercules

AFRC has 127 C–130s including the E, H, J, and N/P models. The Mobility Air Forces (MAF) currently operate the world's best theater airlift aircraft, the C–130, and it will continue in service through 2020. In order to continue to meet the Air Force's combat delivery requirements through the next 17 years, aircraft not being replaced by the C–130J will become part of the C–130X Program. Phase 1, Avionics Modernization Program (AMP) program includes a comprehensive cockpit modernization by replacing aging, unreliable equipment and adding additional equipment necessary to meet Nav/Safety and GATM requirements. Together, C–130J and C–130X modernization initiatives reduce the number of aircraft variants from 20 to 2 core variants, which will significantly reduce the support footprint and increase the capability of the C–130 fleet. The modernization of our C–130 forces strengthens our ability to ensure the success of our war fighting commanders and lays the foundation for tomorrow's readiness.

KC–135E/R Stratotanker

One of Air Force Reserve Command's most challenging modernization issues concerns our unit-equipped KC–135s. Eight of the nine air refueling squadrons are equipped with the KC–135R, while the remaining one squadron is equipped with KC–135Es. The KC–135E, commonly referred to as the E-model, has engines that were recovered from retiring airliners. This conversion, which was accomplished in the early- to mid-1980s, was intended as an interim solution to provide improvement in capability while awaiting conversion to the R-model with its new, high-bypass, turbofan engines and other modifications. The final KC–135E squadron is currently transitioning to the KC–135R/T Model aircraft which is scheduled to be completed in fiscal year 2005.

The ability to conduct the air-refueling mission has been stressed in recent years. Although Total Force contributions have enabled success in previous air campaigns, shortfalls exist to meet the requirements of our National Military Strategy. Air Mobility Command's (AMC) Tanker Requirements Study-2005 (TRS–05) identifies a shortfall in the number of tanker aircraft and aircrews needed to meet global refueling requirements in the year 2005. There is currently a shortage of KC–135 crews and maintenance personnel. Additionally, the number of KC–135 aircraft available to perform the mission has decreased in recent years due to an increase in depot-possessed aircraft with a decrease in mission capable (MC) rates.

I would like to close by offering my sincere thanks to each member of this committee for your continued support and interest in the quality-of-life of each Air Force reservist. The pay increases and added benefits of the last few years have helped us through a significant and unprecedented time of higher operations tempo. This is my first opportunity to represent these fine young men and women as the Chief of Air Force Reserve, and I know that we are on the right path in establishing a stronger, more focused, force. It is a force no longer in reserve, but integrated into every mission of the Air Force.

Senator GRAHAM. Thank you.

Well, we appreciate the first panel. That was very informative.

Senator Nelson, do you want to go first?

Senator BEN NELSON. Thank you, Mr. Chairman. Thank you all for being here today. We appreciate you coming to help us understand what we can do together to improve our Guard, Reserve, and Active-Duty components and keep them voluntary, and to solve any of the issues that we are currently facing and anticipating, as well as future issues.

One of the questions that I would like to ask each of the Reserve chiefs pertains to the publicity lately about the challenges that your individual forces face in meeting recruiting goals this year. If you followed the last panel, you heard what your colleagues are facing.

I fully understand that because of high retention in the Active components, the prior service market, which has historically been the source for most enlistments in the Reserve components, is smaller, and many leaving Active-Duty choose not to join the

Guard and Reserve for fear of being mobilized and returned to Active-Duty in a very short period of time.

In addition, frequent and lengthy mobilizations and an improving job market, which creates competition for the same personnel, are also causing many qualified candidates to not consider military service at the present time.

I would like each of you to give us a candid assessment of the posture of recruiting and retention in your particular force. Once you do that, maybe you could also outline as part of that explanation and assessment what you are doing to address the recruiting shortfalls. Perhaps just as important, address any additional legislation from Congress that might be helpful to you in that regard.

We will just start from my left and work right across. General Helmly.

General HELMLY. Yes, sir. In fact, sir, the Army Reserve is authorized an end strength objective of 205,000 with a 95 percent confidence factor under current conditions. Absent major changes in any of the accessioning agencies, we will end this year on September 30 at approximately 194,000 or so. That is a significant issue. In fact, I consider it to be the single biggest issue that we confront that is within my responsibility.

To get to the heart of the matter, it would require more time than we have here. It is a rather intricate subject. As we have heard, part of this was expectations that had been set in past years of 1 weekend a month, 2 weeks in the summer. We changed all of our recruiting ads a couple of years ago, but culture change is a long, drawn-out process. So setting the right kinds of expectations is very challenging.

I want to assure you all our quality marks are higher than Army and DOD standards. We will sustain those. Army Recruiting Command recruits for us. We provide the resources, dollars, and recruiters.

It is also intricate with retention. I do not completely accept the argument that because Active component retention is higher and stop loss is on, that that is a simple solution. It is a part of the problem.

Having said that, historically, our Army has set its objective for Active to Reserve service—and I qualify. When I say Reserve, I mean National Guard also—too low. We in the Army Reserve have asked for 2 years running that the target goal for Active to Selected Reserve service be set at 50 percent or higher, and it has not been set that high. We have unilaterally increased the number of transition counselors at the transition points.

Secretary Hall noted in the last panel that the $50 per month affiliation stipend is provided as an incentive, but that incentive is some years old. The National Defense Authorization Act for Fiscal Year 2005 provided an incentive of a $6,000 bonus to incentivize the departing Active component officer to transfer. That was enacted in law around February of this year, when the President signed the bill. It is still too new to have empirical data. I will tell you that we need at least a similar incentive for enlisted, and then we need to set ourselves a stretch goal.

I completely support statements made by DOD superiors in the past that set a concept of continuum of service. We have, as you properly noted, magnificent young Americans in all the services and all the components, and once they have proven themselves, it is my judgment that we should apply ourselves to retention.

Our retention in the Army Reserve is on average almost 100 percent. The problem there is first term reenlistment stays down. The 2005-enacted $5,000 to $15,000 reenlistment bonus is paying handsome dividends, however.

The numbers Secretary Hall mentioned again for in theater reenlistments are up four- to six-fold over this time last year. As I reenlisted over 100 Army Reserve soldiers in January, I asked why. They gave me two answers. First, I am finally getting an opportunity to do that which I enlisted for, and I am part of a good team. That says that Active service makes a difference. Second, the $15,000 bonus helped my family understand my decision.

I have a couple last points. Amongst those soldiers we have mobilized, 78 percent of those eligible to reenlist do so. That is higher than the non-mobilized population. So the issue is not calling to Active-Duty Reserve members. It is how often and the extent, or the period of time. I think we know that.

Second, with regard to the propensity to enlist, the experts at Army Recruiting Command note that amongst non-prior service people, the biggest discriminator is parental influence. The propensity to enlist is down 2 percent this year over last year. You now see changes in recruiting ads focused on parental influence.

Lastly, it is my judgment we have to do a better job at the senior levels of our Government advancing the societal and political arguments that note it is an honorable thing to do, to serve one's Nation, and amongst the kinds of service, include service in the Armed Forces. I think that the way OIF has unfolded has played out in the media that it is all about war. It is all about Iraq, and we all know it is much larger than that.

So I have tried to make that cryptic, but I appreciate the depth and sincerity of your question.

Senator BEN NELSON. Thank you.

General Bradley, as you respond, could you additionally address the question about what the lost opportunity costs are for every one we do not retain or we do not get from the Active-Duty to the Reserve? Comment on what it has cost us to train those individuals and what we lose when we do not get them and we do not keep them?

General BRADLEY. Yes, sir. Sir, as you noted, there are a lot of challenges in recruiting. In the Air Force particularly, 15 years ago 50,000 people a year were leaving the regular force because their commitment was up, and we would gain a good percentage of the folks that are getting out. Now that number is down to about 15,000 a year. The Air Force has held onto a lot of people now. They are going through some force shaping that is getting some people out to get to their authorized end strength, as the Secretary has directed the Air Force.

There is evidence in some surveys that we get a slight decline in the number of folks leaving the Active Air Force to join the Reserve or the Guard, because they know that we are doing pretty

much the same missions that the Active folks are doing. They want a tad more stability. It is a little tougher than it used to be.

I will tell you, though, sir, right now the Air Force Reserve is at 114 percent of its annual recruiting goal. I am very pleased with that. That does not mean I worry that next week it will turn around some. Our retention is 89 to 90 percent. I am very pleased with that. Again, you never know when that changes. We really work hard on making sure that our commanders and our supervisors at all levels make sure their folks know how much we appreciate their service and how badly we need them to stay with us. We do a lot of encouraging people to stay with us. I think it is paying off, but it is something we always have to keep our minds on.

The authorities that you all have given us to award bonuses have been extremely helpful. As Secretary Hall said, it would be nice to have a tad more latitude throughout the year, or points at which we can do those things. It would also be helpful to have some additional appropriations to go along with that authority to make it a tad less painful so that we do not have to take it out of other parts of our budget. But the authorities have been extremely helpful.

I am pleased with our recruiting and retention situation in the Air Force Reserve. We will make our end strength this year. In fact, we will be near 100 percent, where last year we were about 1 percent down or 99 percent.

It is, as your question leads me to say, a lot more expensive to recruit people off the street, to send them through basic training or technical school training, and then get them several years of experience. That costs a lot of money, so we do lose a lot of money when people leave the regular force.

Now, we do not try, in the Air Force Reserve, to encourage people to leave the Active Air Force, but once that person has made a decision to get out, we will go after that guy or gal to join the Air Force Reserve because that is a lot cheaper, and we have years of experience that we can bring in the Reserve. I think that has been one of our strengths, having several years of experience. It keeps our experience base high. It also cuts our training costs dramatically when we can access those people leaving the Active Force.

Senator BEN NELSON. Do you have any idea? I have heard several hundred thousand dollars. I think it costs about $100,000 to train and equip a member.

General BRADLEY. Yes, sir.

Senator BEN NELSON. I wonder if you have thought about how much investment you have in terms of that person leaving.

General BRADLEY. Yes, sir. The best I can tell you off the top of my head is probably $200,000 or $300,000. But I can get you a figure. We would be glad to provide that to your staff very quickly. That is easy to do, but I just do not know the numbers.

Senator BEN NELSON. No. That is okay. Thank you.

Admiral Cotton.

Admiral COTTON. Yes, sir. I would like to add to that discussion that it is really skill set dependent, and if there is one theme in the Navy now, it is that we are doing a better job of measuring the skill sets required for war. It can be millions of dollars for an F/A–18 pilot down to a couple hundred thousand dollars. That experience we have shown really counts in combat. Every study we

have of OEF and OIF shows that experience counts. With the Reserve Force, they are just a little older and more mature. They are 28 or 30 years old vice a 21-year-old. That experience counts, which is why we want to hold onto every person we train and use taxpayer money for.

Sir, I would like to say that the Navy Reserve's authorized strength at the end of this year is 83,400. We presently sit at 78,400. We did something unusual about 3 years ago. We stopped what we were doing and asked, what is the requirement? We went to the customer, the Navy, and said, okay, for the global war on terrorism, the rules have changed. What do we do for the future? Rather than trying to preserve the past in every unit we had, we took five analysts, looked at every single billet, every single unit, every single lay-down, and put some precepts in there. We want to be in all 50 States. We want to have these kind of capabilities. We came up with a force of about 70,000, plus a few thousand for surge paid for by the cost of war. So our request in 2006 is going to be for 73,100.

We set a target this year of 13,000 to recruit. We have about 30 percent of that now, but the best months are coming up. Last month increased 43 percent, but the best thing is that the culture in the Navy is changing. Down at the deck plate, at the commanding officer, command master chief, and the XO level, they realize that. If you can keep them in the Reserve Force, you have not lost anyone. The transition and force shaping tools we are looking at, the changing rates, and some authorities you have given us, are increasing our ability to retain these valuable sailors. That is the good news.

We also think that we should not have resignation letters anymore, but that you should apply for transition from the Active component to the Reserve component. That would force an individual to find out that there are opportunities in either the full-time Reserve, the part-time Reserve, or Select Reserve. Every one of their skill sets go into the Individual Ready Reserve (IRR).

I would also submit that we do not measure the IRR very well. We do not know who is there, or how long we keep them there, but with our IT systems, we can do that much better. So this is the focus for the Navy in the future.

Overall, I am very confident, based on the leadership of Secretary England and especially Admiral Clark, that the culture of the Navy is changing to be one team, a human capital strategy, or as we call it, a Total Force.

Senator BEN NELSON. Thank you, Admiral Cotton.

General McCarthy.

General MCCARTHY. Mr. Chairman, Senator, the Marine Corps Reserve is going to meet its end strength target this year. We will meet it both in quality and in quantity. This is the best information that I have, but I echo General Bradley's comments. That could change, and we need to watch it very closely all the time.

The Marine Corps Reserve demographic is exactly the same as the Active component, which makes sense, since we provide forces across the full spectrum of the Active component. So we need to have units that look just like the Active component unit. That

means that the Marine Corps Reserve is largely a first-term force, just as the Active Marine Corps is.

It should be a split of about 70 percent non-prior service and 30 percent prior service. The only thing that I see right now that worries me just a little bit is that our ratio is just a little bit off. We are somewhere between 75 and 80 percent non-prior service and a little bit down on the prior service side. I think all of the reasons that others have discussed come into play there and apply to us.

All of the things that the committee has asked about and talked about in terms of incentives, in terms of medical care, in terms of support for employers, are as important to the Marine Corps Reserve as they are to all of the Services so that we can keep the right shape and balance of our forces, but right now, the numbers, both in quality and quantity, look very good.

Senator BEN NELSON. Thank you, General McCarthy. It was pointed out to me that this is your last appearance before this committee. We very much appreciate your distinguished service. We hope that the afterlife from the military will be as good to you as you have been for the military and for the service to your country. We very much appreciate that service.

Mr. HALL. Senator Nelson, could I add to that? His wife, Rosemary, is also here in the audience. I have worked with this couple many years, and we all know who served a long time. It is truly a family matter. His wife has demonstrated concern for the families, has been to every conference, and I would like to congratulate her as much as Dennis because they are a wonderful team.

Senator BEN NELSON. We certainly want to, for the record, reflect your long service to the country as well in supporting General McCarthy. Your presence here today makes the point that is so clear in retention, the old adage, recruiting an individual, retaining a family. Obviously, we have been able to retain your family very well, and thank you so much. [Applause.]

Mr. Chairman.

Senator GRAHAM. Thank you, Senator. I think it is 38 years. Is that right, General McCarthy?

General MCCARTHY. Commissioned in 1967, yes, sir.

Senator GRAHAM. It goes by fast.

I will state the premise that I have previously and get you to respond to it. I think we are facing a chronic problem not an acute problem. General Helmly, you said some things in a memo, I think, back in December—I cannot remember when it was—about your concerns about retaining the force and about recruiting, and I want to publicly say that I appreciate those comments. I thought they were sincerely offered. I think they are right on the mark, and the committee would be better off hearing comments like that so that we can help turn what I see to be a potential problem around.

When it comes to parents and grandparents talking about whether or not their children should go in the Reserves or the Guard or the Active Forces, Iraq is on 24/7. You see people suffering, losing life and limb, and there is a greater mission out there than just Iraq, serving in the military. I am in. I was a lawyer. The only people that ever wanted to kill me were my clients. [Laughter.]

But I certainly benefited from wearing the uniform, and still do. I think we need to do a better job talking about serving one's Nation. It is truly the highest calling.

We have a historic trend in the Guard and Reserve that people stay to 30 because they like their unit, and they become part of a family.

What I worry about is that with the multiple deployments of certain skill sets, people begin to look for a way out, because their family gets tired and worn out and they get to where they cannot handle it because the Guard and Reserve family, Secretary Hall, as you well know, does not have the institutional support that an Active-Duty family has. Lord knows, the Active-Duty families suffer greatly in terms of stress, but there is no PX many times for the Guard and Reserve. There is no counseling service. There is no after-school care. We have to come together as a family in the Guard and Reserve and make it up as we go.

Secretary Hall, you have done a great job of providing better infrastructure to families as they face long deployments.

What I worry about is that multiple deployments are going to take a toll on the force, and when you are having to go from 35 to 39 years of age for enlistee and when you are considering waiving the high school educational requirement, that is a good sign to me that we are really having to think outside the box to keep the force from bleeding any further.

There is a proposal that would allow guardsmen and reservists to retire earlier than 60 based on continued service past 20. If you serve 22 years, you can retire at age 59; 24 years, you retire at age 58; all the way to 55, if you serve 30. Could you give me some feedback as to whether or not you think that program, if implemented, would help retain people past 20 years, and do we have a problem with people past 20? Secretary Hall, would you start?

Mr. HALL. We have talked about this, and we have a different perspective on it. My perspective is not to say it is not a good idea. Almost anyone, if you said retire at 25 or 30, would say yes. I think it is a matter of the tradeoffs.

We have carefully looked at that. We have asked RAND and a number of other groups to take a look at the propensity of people if they were allowed to retire earlier at 55 or whatever age, and we have not found that that will have, in the studies that they have done, a significant effect on the recruiting and retention.

In fact, my view is I would like to incentivize people to stay longer rather than leave earlier. People are healthy. We need to keep them longer. We have 130,000 or so people between the ages of 55 and 60. About 30,000 are still serving, many as military technicians. You are very familiar with military technicians. They are most experienced, and they are great Americans. We would like to keep them longer rather than incentivizing them to leave earlier.

The cost we talked about, whether it is in the billions—and you can argue about it, depending upon the take rate—is a consideration.

My personal view mirrors the administration, but personally I believe that with a limited budget with only a limited amount of money, targeting the benefits towards other things has a higher priority than the 55 year retirement. It comes down to that. If I

only had this much money, I would like to do that. If I had unlimited appropriations, then it would be a different matter. What I am trying to do is target them. That is my perspective.

Senator GRAHAM. I understand. That is a very good and fair answer.

Do you have a problem retaining people in the Marine Corps? Is there a trend of getting out at 20 versus staying to 30, or is that not so?

General MCCARTHY. Senator, we probably have not just the smallest number but the smallest percentage of those who retire because of this heavily weighted force toward the junior enlisted marine.

We have seen some signs—this is probably a little bit anecdotal—but particularly in the aviation community, of people retiring at 20 rather than staying for what some might consider a full career of 30 years of commissioned service. I do not have statistics to tell you that, but I would say to you that in every group of marines that I talk to, whether it is at home or in the theater, somebody asks me about this.

Senator GRAHAM. That is why I am asking you, because I cannot go 3 feet without somebody asking me.

General MCCARTHY. I have to think that it is on their mind. It is not just people who are rapidly approaching retirement. I had a young 30-year-old captain ask me about it in Iraq a month ago. I think from the Marine Corps standpoint, it is an issue that is out there, and certainly if Congress is going to do anything, there ought to be a linkage between changing the retirement and incentivizing continued service beyond 20 years.

Senator GRAHAM. Right.

General Helmly, would you like to comment?

General HELMLY. Sir, let me say that I support your contention completely that this is a chronic issue. This is the first extended duration conflict, as we know, that we have fought with the All-Volunteer Force. In September 2003, I personally gave a speech at the National Defense University where I warned that we needed to begin changing the policies, practices, and procedures that govern how we approach manning the various components, not only Reserve, but also Active, owing to the discrete requirements of each, Active, Reserve, and in between the Services.

For my part, our acceptance of a 20-year retirement letter is up approximately 5 percent in the past year. It is my judgment it would have risen in the past, but when we stop-loss people and as we alert units, we stop-loss everyone in the unit. As we see lower numbers mobilizing, we are stop lossing fewer people, and we are having more who are approaching the 20-year marker accept that. I would also note that the average age at which those people retire is significantly less than 55. I too am in favor of keeping people longer.

That is why I must tell you, in my considered judgment, we should genuinely explore the formula you have offered of a 1-year reduction below age 60 for an increase of 2 years beyond 20, if you will stay for 30, you accept non-regular retired pay at age 55. We should develop the empirical data on this. It is a rich cost, but in

my view I am afraid it has been dismissed because it is costly, and we have not tied it to the increase in service.

You asked earlier about cost to enlist. The average cost to enlist a non-prior service 18- to 22-year-old young man or woman in the Army Reserve is $103,000. That cost is going up because we are now having to add, due to that decreased propensity to enlist, about 700 recruiters over our former recruiting force, so your cost per average is going to go up significantly higher.

Out of that first-term cohort, we suffer about a 35 percent attrition rate, that is those who do not make it to the end of 6 years for trainee-based discharges and all sorts of reasons.

I think we are much better off to retain the person off Active-Duty or for continued Reserve service. Certainly in business terms, quality, reliability, readiness, and capability are all reasons that say retention is much preferred.

I will note two final points.

The current policies we find ourselves governed by on our Active, Guard, and Reserve Force, which is Reserve members on Active-Duty, the richest single force we pay into, about 15,000 strong, requires me by policy to retire at the end of 20 years Active Federal service. That makes no sense at all when we are investing in these people to send the officers to senior service college, et cetera. We need to be keeping them longer, but that is simply not done because of the way we have done business all these years. We have not looked at this in a strategic, holistic sense.

Senator GRAHAM. I could not agree with you more. You have some people 38 years of age who can retire but still have a lot to offer. I am 49. I think I have a few years left. So I would hate to be kicked out of the door.

General HELMLY. Sir, I am looking up to you. [Laughter.]

We do not offer Reserve component members a reenlistment bonus beyond 16 years of service. I would be in favor of looking at that at the 18-year mark where you keep them for 24 at a minimum.

Senator GRAHAM. Along those lines—I hate to interrupt—that is a great idea. Senator Nelson and I were talking about—from the Active-Duty panel—this from Blue to Green—as the Navy is trying to reshape its force people are leaving the Navy. We are doing everything we can to hang onto people. Maybe there is a place in the Marine Corps. Maybe there is a place in the Army or some other service for a very talented person who does not have a Navy home anymore.

Senator Nelson and I were talking about his idea about offering a bonus for someone who is leaving the Navy because of force restructuring to go into the Army Guard. Is there such a program in existence, and would that help?

Mr. HALL. There is not, but I think if it is a prior service person whose military occupational specialty (MOS) or skill can be transferred, then we are trying to get prior service people to come in. We need to do whatever we can do to attract prior service personnel. They can be prior service from another service if they have the MOSs. It is certainly worth exploring as we have people coming out of the Navy and the Air Force.

Senator GRAHAM. Do you think that would help you if you had that tool available to come up with a skill-specific bonus program?

Mr. HALL. I think any program that can help get prior service people to enlist or affiliate in greater numbers who have the skills we need is helpful.

Admiral COTTON. May I add one more thing, sir? There is a transition period, and those of us that leave Active service for whatever reason, after a period of time, we miss it, and we want to come back to it. For myself it was 14 months. For the Chief of Naval Operations (CNO), it was 11 months. We sometimes put the hustle on somebody, whatever program it is, and once they go away, we do not follow it up. Yes, we might send them a letter after 6 months, but I think all of those with these skill sets, like the Secretary said, need to be followed up with a 3-month phone call, a 6-month phone call, or maybe even all the way up to 18 months. That is why this tracking of skill sets in the IRR is so important when folks want to come back and re-serve. So I think we need to do a better job of that. Force shaping tools and bonuses would certainly incentivize people to want to come back and serve in any of our components.

Senator GRAHAM. I have one last question and then I will turn it over to Senator Nelson.

We have had a lot of anecdotal stories about pay being interrupted, pay not being there when people need it in the Reserves, or being held over for medical problems, and it is a nightmare. What have we done to address those problems?

Mr. HALL. It has been an acute problem, mostly with the Army. Starting in March—and it has already kicked off—we have the Forward Compatibility Pay (FCP) initiative. We are working on the Defense Integrated Military Human Resources System (DIMHRS) toward a common pay and personnel system. However, that is not supposed to happen until 2007.

Out of personnel and pay, I consider pay to be the biggest problem, although they are both a problem. When I was in, I wanted my pay on time. My family wanted the pay.

We have decided to invest in that system and get a common pay system this year, kicking off first with the Army. It is called FCP. By the end of the year, we hope to have that common pay system. We will have to bridge to DIMHRS, which will have a common pay and personnel system. We are expending some money up front so that we could wait for it, but I do not think we ought to wait. We'll do that this year, then transition to a slightly different common pay and personnel system in the DIMHRS.

We recognize the criticality of it. The Army, of course, hired more contractors, and added more pay companies to handle the immediate problem, which I think is under control. But we needed to do something this year. That has commenced for a common pay system by the end of the year.

General HELMLY. Senator, the Government Accountability Office (GAO) did an audit focused on Army Guard and Army Reserve, with special hearings last summer. By that time, the Army, working in conjunction with the Defense Finance and Accounting Service (DFAS), had zeroed in, and we were making improvements.

As the Secretary noted, FCP integrates Active, Guard, and Reserve in one system. Our Secretary personally follows that on a

monthly basis. Most recently we have been informed that the development of that system, which is a significantly large effort, was behind schedule.

We all made the decision which was made by the Secretary, and supported by all of us, that we would not use our soldiers as guinea pigs given the fact that with the flaws in today's Reserve component pay system for Guard and Reserve, we and the Guard, supported by Army, have made major improvements. If you will, they are bandaids, but they have reduced the error rate by almost 75 to 90 percent of what it was about this time last year. That is a broken system, to be sure. We have reduced the error rate and invested the dollars in FCP, as Secretary Hall said.

But FCP, we now find, is behind schedule. We have made the decision that we will not go to that until the developers bring in a satisfactory system. Our Assistant Secretary for Financial Management and our Secretary personally follow that on a very frequent basis.

Senator BEN NELSON. Thank you, Mr. Chairman.

Admiral Cotton, the CNO some time ago testified that the Navy is looking at restructuring pay to deal with skill sets, and the need for technologically adept and trained people is increasing significantly. As the Active Navy has begun to do that—and I am assuming that they are in the process of doing that—has that changed what your requirements are as you add and recruit and try to retain within the Navy Reserve?

Admiral COTTON. Most certainly, sir. In the future, a Navy manpower document will include both Active component and Reserve component personnel, and the commanding officers of the two units will work together for the readiness of both. It is really the Active component commander who is responsible for all that readiness. So the best recruit we have is the Navy veteran. Tracking those skill sets is important. We call it the 5-vector model and SkillsNET. This system is so advanced that even industry is looking at Navy and how we are measuring this. There are over 450 functionalities we have, and there are another 800 civilian skill sets that the Reserve component has that the Active component sometimes would like to use.

We also utilize reservists in an entirely different manner than we did during the Cold War. About a third of the force does 38 days or less. Another third of the force does 38 days to 100 days, and another third of the force is doing from 100 to 365 days each year. In fact, we have 24,000 people on orders right now at supported commands. The best reservist is one that does maybe 4 days, 5 days, or 10 days a month rather than a mobilization every couple years.

It is imperative that we measure these skill sets and incentivize behavior of the good ones, and with the skill sets we do not need anymore in this transition period, send them to school and teach them new skill sets. This way we retain that sailor. I would agree, sir.

Senator BEN NELSON. You are retaining the sailor rather than counsel them out of the military, recognizing that you already have a certain investment in them that you want to retain.

General Helmly, the chairman asked you about a memorandum that you wrote back in December of 2004 regarding your concerns. Has anything changed? Has anybody come to you and said your concerns are well noted and how can we help you respond to those? It probably does not work that way. [Laughter.]

General HELMLY. Well, in some of those meetings, other words have been used. [Laughter.]

Frankly, I believe that we have discussed this before with regard to my motivation. My motivation was simply to ensure that my superiors before congressional hearings were formally aware of the complexities that underlie our strength. It is not a simple equation of enlistment, and reenlistment, Active to Reserve. It is very intricate.

Having said that, there are the three issues addressed there. Nonparticipants had been a matter of a GAO audit, IRR obligated status, and also going beyond mandatory retirement date.

The nonparticipants and the IRR obligors have been taken to the Secretary of the Army. The Secretary has authorized us to proceed with development of streamlined discharge procedures for nonparticipants. That still complies with law with regard to my right to respond and ensure that I am aware of the types of discharges that may ensue. Our nonparticipant rate is significantly down beyond the time of the GAO audit. That is important from a stewardship responsibility.

I would like to add at this point simply that no one here wishes to fracture the quality of the All-Volunteer Force by an intentional legal act to make someone serve.

Having said that, it is my considered judgment when we apply the kinds of bonuses and the kinds of incentives and entitlements that the DOD, supported by Congress, has provided in recent years, we have a stewardship responsibility to you to ensure that those are applied in the most productive way. Thus, this nonparticipant and IRR obligor was a source of manpower, we had people on our books who were not participating. Not only did they have to then remain on our books, presenting a false picture of readiness, but we have to pay in through numbers into the defense health program the Government portion of the premium for the Servicemembers' Group Life Insurance (SGLI).

Thus, the GAO audit said we had spent about $46 million on nonparticipants in fiscal year 2003.

It was my intent that as we came forward to try to ask for improved and increased incentives, entitlements, and bonuses—the Secretary has talked about TRICARE expansion and those kinds of things—that we understood in a disciplined way that if I accepted those, I incurred an obligation to serve and fulfill my obligation.

Our Secretary has forwarded to DOD some proposals. It is my judgment those are now being addressed in a hard business kind of way with due consideration for people. We are going forward with a plan to begin involuntarily assigning the obligated portion of the IRR, that portion of the IRR which is obligated for selected Reserve service.

So, yes, sir, I am very satisfied with the effort by our Secretary and chief to address those issues. Thank you.

Senator BEN NELSON. Thank you, Mr. Chairman.

Senator GRAHAM. Thank you.

General McCarthy, in your written statement, you talked about a concern about young officers. One of the things that we are looking at doing is doubling the number of Reserve Officers' Training Corps (ROTC) scholarships available for people to come into the Reserves. Would that help you? Would it help for the Army and the Air Force? Would that help you if a ROTC scholarship recipient could come right into the Marine Corps Reserve?

General MCCARTHY. I am taken off guard, sir, because I really have not thought that one through. We do have a very serious concern about young officers. The thought of bringing somebody directly into the Marine Corps Reserve from an ROTC scholarship is quite frankly not something I ever thought about.

I will tell you that our strength is, in the past, 90-plus percent, probably 95 percent of the junior officers in the Marine Corps Reserve serve 4 to 6 or so years on Active-Duty, and that has been a tremendous positive strength. We want that to continue to be our primary source of officers.

However, we have also always tried to promote some officers from the ranks serving in units, but they too have a more solid background.

I am not sure how ROTC direct commissioning would apply to that, but I think it is certainly worth looking into because getting enough young officers into the ranks is a very serious issue for us. I would like to take a look at that and see whether that would be helpful.

Senator GRAHAM. General Bradley, every time I have been to Iraq—I have been three times—you fly out of Kuwait, you take a C–130, and every crew except one has been a Reserve crew. Have we seen any problems retaining our C–130 folks?

General BRADLEY. No, sir, we have not. Now, we have mobilized a lot of folks, and they are staying with us. It certainly is a strain. The folks out there working hard are both the maintenance and the aircrew members. We are very proud of the work that they do over there.

By the end of this year, every C–130 squadron that we have in the Air Force Reserve will have completed 2 years of mobilization. We have not seen our numbers go down yet. It could happen anytime. You never know until they are ready to leave, once they have finished their commitment. But so far, they are staying with us. In fact, sir, this is true even after they have been demobilized, and we have already demobilized a lot.

Senator GRAHAM. Could you repeat that? Of the C–130 Reserve crews, how many of them have met the 24-month——

General BRADLEY. Probably two-thirds now of the Air Force Reserve are C–130 crews. The Air National Guard crews would be a slightly different number. They have a lot more. But we have had two-thirds of our C–130 squadrons in the Air Force Reserve mobilized and demobilized with 2 years of service.

Senator GRAHAM. So they are out of the fight.

General BRADLEY. They are done. They are done with mobilization, sir.

We still use them in a voluntary status to do a lot of other things. We are doing Operation Joint Forge in Europe with volun-

teers. We are doing Coronet Oak missions in U.S. Southern Command with volunteers. We have experienced the same thing in the strategic airlift world, with the same sort of numbers, about two-thirds of them, C–17s at Charleston, McChord, and other places.

Senator GRAHAM. Is that two-thirds also?

General BRADLEY. Pretty close to two-thirds, yes, sir. In fact, two of the squadrons at Charleston have been demobilized. The other one is mobilized now. It is the same with C–17s at McChord in Washington State.

But, sir, the ones that are not mobilized currently are still volunteering to go just as often as those that are mobilized.

When they are mobilized, they are not over in Kuwait or Iraq for 2 years. They cycle back and forth through the States on a 90- or a 120-day schedule. That is how Air Mobility Command does it. So they come home, and while they are home while mobilized, they fly a lot of missions for Air Mobility Command. They are on their mobilization orders for 1 to 2 years, but as I have said, about two-thirds of them have done the 2 years. The folks are still volunteering to do other missions.

Senator GRAHAM. What kind of pressure does that put on your Active Forces who fly into the theater?

General BRADLEY. Well, sir, I do not know. A lot of the folks that are over in the theater right now are Active. There are a lot of Active folks over there, but most of the C–130s are in the Guard and the Reserve.

Senator GRAHAM. I wanted to talk about C–17s for a moment.

General BRADLEY. Yes, sir.

Senator GRAHAM. About 50 percent of the aircrews flying missions today are Guard and Reserve. Is that correct?

General BRADLEY. That is true, yes, sir.

Senator GRAHAM. So if two-thirds of the Reserves have met their 24-month cap, that has to have a ripple effect somewhere along the line.

General BRADLEY. Sir, if you mean that we cannot do the missions anymore, it is not happening that way, because people are still volunteering to go on shorter-notice missions. We can put them on Active-Duty in other ways for shorter periods of time.

Senator GRAHAM. I understand.

General BRADLEY. They are just not involuntarily mobilized anymore. At the end of this year, every C–130 crew that I have will have done 2 years.

General MCCARTHY. Sir, if I could add to that. We have two squadrons of KC–130s in the Marine Corps Reserve, and they are in exactly the same situation. Both squadrons have been mobilized for a full 2 years, but they are continuing to generate sorties using volunteers, and using a combination of the Active component members of the squadrons and volunteers. But I think you are closing in on the capability that we have stretched pretty far.

Senator GRAHAM. Your testimony really hit me pretty hard when you said that of the one area that you thought that the incentive to stay past 20 might help was in the aviation units. Now I am beginning to know why they are checking out. [Laughter.]

General MCCARTHY. Sir, I did not want to indicate that. I think a lot of these officers who are not going beyond 20 in part do it be-

cause they think they are going to have to stop flying. They complete command of squadrons as lieutenant colonels and hit the 20-year mark, and a lot of them say, what else is there to live for?

Senator GRAHAM. Yes, but why the change, though? Because you could not fly past 20 before. Or did your flying opportunities went down.

General MCCARTHY. The flying opportunities just dwindled down.

Senator GRAHAM. But now we are flying out of the wazoo. If you want to fly, now is the time to be in.

General MCCARTHY. Exactly right.

Senator GRAHAM. I think there is something a little deeper going on. What it speaks to is not only the patriotism of the men and women of the Guard and Reserve. But also you will never convince me that if two-thirds of the Guard and Reserves in the aviation part of the business have met their 24-month involuntary deployment, that that will not have a ripple effect if this war continues at the pace it is going.

Mr. HALL. Senator, I have one comment.

Senator GRAHAM. Please.

Mr. HALL. We need to be a little bit careful on the definition of whether we have mobilized and utilized units—and we deal in this all the time—because you might have mobilized two-thirds of the units, but what about the people. That is different.

Senator GRAHAM. That is what I am asking.

Mr. HALL. I think we need to take a look at this, because we refresh those people. People come in and they go. So it is a different answer if two-thirds of the people presently serving are at their 24 months or two-thirds of the units have used 24 months.

Senator GRAHAM. Well, what about people?

Mr. HALL. People is what we try to look at.

Senator GRAHAM. What is the people number?

Mr. HALL. I would be interested in seeing whether it is units or people.

General BRADLEY. Sir, it is people.

Senator GRAHAM. Yes.

General BRADLEY. I can give you exact data.

Senator GRAHAM. I know because I met them three or four times in Iraq myself. I have been going for 2 years, and I see the same people.

General BRADLEY. I have to tell you my guys are over there for longer periods of time than many Active folks. I am getting some ripple effect there. I hear about that a little bit. But I think they are dedicated, patriotic people who really think they are doing something important.

Senator GRAHAM. I do not doubt that. Amen to that. I just express my concern about down the road, if we are doing this 2 years down the road, eventually something has to give.

General BRADLEY. Yes, sir, I am very worried about it too.

Senator GRAHAM. I have one last thing, and I will turn it over to Senator Nelson and let him do whatever he wants to do.

We had a problem bringing people from the Guard and Reserve into mobilized status and being ready to go to the fight. There are physical problems. They were not ready medically. Has there been

any turnaround, General Helmly, from the Army in that regard? Would all of you comment quickly about that?

General HELMLY. Sir, this comes to a matter of internal force discipline. That is my responsibility as a commander. The answer to that simply is yes. We have instituted a new physicals management process. We do physicals, and have done so for about 3 or 4 years through a program called FEDSHEAL, and with that, we partner with other Federal agencies that have physicians in them to use their physicians to do our physicals. We send them a voucher and pay for that.

We have now changed the FEDSHEAL contract that says that the provider, the physician, sends the electronic results of all the laboratory and the physical examination to a centralized profiling office at our Human Resources Command in St. Louis. I have resourced that office with about 10 people who are trained under the guidance of a full colonel, Active component physician. They apply a centralized profile. They then enter that into one's personnel records electronically, send a copy to you that is available to you through our Two Times a Citizen Web site, and then if you are deemed nondeployable, we send that to your command with a 90-day suspense to initiate the physical evaluation board/medical review board process.

That is what I call putting starch in people's shorts, so we get out of the business of, "I sent you your physical." You wanted to retain your drill status. You hid it in your desk drawer, and then it popped on us when we mobilized you, so given a couple more years and an expedited effort we have underway to clean out the backlog of permanent profiles, and we will remedy ourselves and bring this to a manageable level.

Senator GRAHAM. How about the Marine Corps?

General MCCARTHY. Sir, it was not a problem. Over 98 percent of the marines who have been mobilized were physically ready, and medically ready to go. We have, I think, managed that pretty well, and most importantly, we are a young force.

Senator GRAHAM. It is phenomenal. That is right.

General MCCARTHY. The guys and gals are fit. So it has not been an issue for us.

Senator GRAHAM. The same for the Navy and the Air Force?

Admiral COTTON. There is just one more thing I would like to add, sir. We are less than 5 percent, but I think the visibility on this between our Services and the building also involves looking at the systems by which we measure this. I would say for Navy, we are now looking at Internet Technology systems for both Active and Reserve exactly the same. We report it the same way. It has been slow to change, and I think the last 3 years has sped up that change to have digital medical records vice the old stacks of paperwork like we had. I think even the rest of the country is going to be going here pretty quickly. I think it is a trend we are all going to follow.

General BRADLEY. Sir, we have not had a problem in the Air Force Reserve with medical readiness.

Senator BEN NELSON. I do not have anything further.

Senator GRAHAM. Well, thank you all.

Mr. Secretary, yes, sir, please.

Mr. HALL. I wanted to pass on a couple of bits of good information. We have not known in the past whom our reservists and guardsmen worked for. We have never had a database, and we are about halfway through now populating the entire database for civilian employ information. So for the first time, we are going to be able to actually know our first responders. We will even know how many lawyers we have in the database.

Senator GRAHAM. Probably too many. [Laughter.]

Mr. HALL. We hope by the end of this year to be able to take this database at any one time and say we have mobilized this many policemen, et cetera.

Senator GRAHAM. That is terrific.

Mr. HALL. So this is something we have had to do.

Senator GRAHAM. How many self-employed people do you have in the Guard and Reserve?

Mr. HALL. We do not know this either. So we are looking at the amount of self-employed.

Also, we have two commissions this year: one on the Guard and Reserves and one on pay and compensation. I think it is an obligation of all of us to use those independent commissions that will report to you. Admiral Pilling is heading the pay and compensation commission—to take our ideas and to make sure that we are not piecemealing the benefits or the pay, because sometimes we take a portion of it, and then it ends up with unintended consequences. They are charged with looking at the entire structure. We are going to provide inputs. All of us will be with those commissions, and hopefully that will be of some assistance to us on these. So I wanted those for the record.

Senator GRAHAM. Thank you all for your service to our country, to your families who have served alongside of you, and Secretary Hall, thank you for coming up. This has been the most helpful hearing I have been to.

[The prepared statement of the Naval Reserve Association approved for inclusion in the record of this subcommittee hearing follows:]

PREPARED STATEMENT BY THE NAVAL RESERVE ASSOCIATION

Chairman Graham, Senator Nelson, and distinguished members of the subcommittee: on behalf of our 22,000 members, and in advocacy for the 80,000 Active Naval reservists and the mirrored interest of Guard and Reserve personnel, we are grateful for the opportunity to submit testimony, and for your efforts in this hearing.

We very much appreciate the efforts of this subcommittee, the full Committee on Armed Services, and like committees in the House of Representatives to support our deployed personnel and their families. Your willingness to address and correct issues facing guardsmen and reservists affirms their value to the defense of our great Nation. Your recognition of these men and women as equal partners in time of war stands you well in the eyes of many. Your willingness to look at issues related to the use of the Guard and Reserve on the basis of fairness sets the legislative branch well above the executive branch which seemingly develops its positions on the basis of cost.

We had hoped that many of these issues would have been addressed by the commission on the Guard and Reserve. We had great hopes that the commission would give Congress and the administration a holistic view of the myriad issues facing today's Guard and Reserve. It is a great disappointment that the commissioners have not been named and the work not yet begun.

That said, there are issues that need to be addressed by this committee and this Congress. Recruiting and retention issues are moving to center stage for all Services

and their Reserve components. In all likelihood the Navy will not meet its target for 13,000 new naval reservists and the Naval Reserve will be challenged to appreciably slow the departure of 17,000 experienced personnel this fiscal year. Other Services and their Reserve components likely face these same challenges.

We believe that Congress should give the Services the following tools targeted to mid-career personnel in the Guard and Reserve: (1) authorize critical skills bonuses for guardsmen and reservists that would provide $100,000 over an entire career (no authorization exists for guardsmen and reservists personnel while one with a $200,000 limit exists for Active-Duty personnel); (2) increase affiliation bonuses to $15,000 to attract veterans; (3) restore the Reserve Montgomery G.I. Bill (MGIB) to 50 percent of the Active-Duty entitlement (presently at 28 percent) and make it available throughout a career; and, (4) an earlier than age 60 retirement.

The Department of Defense is dead set against an earlier than age 60 retirement. We've heard that Reserve chiefs are in agreement expressing concern that senior personnel will leave in droves. Hopefully this is more than conscript thinking. A compromise solution to this earlier than age 60 retirement issue is something modeled after Social Security—if you take Reserve retirement as early as age 55 you do so with a greatly reduced annuity for life. This Naval Reserve Association conceived proposal would significantly reduce the estimated costs to the government over other plans being proposed. The money has been accrued; the costs then would be those associated with administering monthly payments earlier than expected and any lost interest on the accrued amount. The greatly reduced annuity for life may very well serve as a disincentive to early retirement for the senior leaders who truly have upwardly mobile careers.

The first three recommendations are relevant to the needs of the services today. The fourth (early retirement) is on the minds of many guardsmen and reservists. We urge you to put these issues to the Reserve component chiefs during this hearing for their opinions.

There is one Navy-related issue that will be considered by the committee—the distribution of U.S. Naval Reserve flag officer billets. The National Defense Authorization Act for Fiscal Year 2005 contained the following: "The conferees expect the Navy to provide the Committee on Armed Services of the Senate and the House of Representative with additional information justifying modification to existing allocations in section 12004(c) based on the results of its zero-based review." In appreciation of the outcomes of the Navy's zero-based review and concomitant manpower reduction in most of the programs resident in the Navy's Reserve, the Naval Reserve Intelligence Community will become the largest single program. With over 4,000 naval reservists, who on average give 80 days each year, it the most integrated Naval Reserve program in the joint arena. The sole Naval Reserve Intelligence Flag Officer serves as Commander, Naval Reserve Intelligence Command, on the Chief of Naval Operations' (CNO) staff as N2R and reports to Commander Fleet Forces Command as additional duty.

Unlike other Reserve components, the Navy's Reserve does not fill any joint intelligence billets. We think that it should, and recommend to the committee that any reallocation of flag billets come with the stipulation to the Navy that they fill at least two, possibly three, of their URL allocation with Reserve Intelligence Officers.

In summary, we believe the committee needs to address the following issues for our guardsman and reservists in the best interest of our national security:

- Name the members for the commission on the Guard and Reserve as soon as possible
- Address and authorize recruitment and retention issues:
  - Authorize critical skills bonuses for guardsmen and reservists—$100,000 over an entire career
  - Increase affiliation bonuses to $15,000 to attract veterans
  - Restore Reserve MGIB to 50 percent of the Active-Duty entitlement
- Reduce annuity for Reserve retirement before age 60
  - Authorize increased allocation of Naval Reserve Intelligence Flay Officer billets to coincide with their utilization and size.

We thank the committee for consideration of these tools to assist the Guard and Reserve in an age of increased sacrifice and utilization of these forces.

Senator GRAHAM. So the hearing is adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR SUSAN COLLINS

ARMED FORCES TRAINING CENTERS

1. Senator COLLINS. Secretary Hall, I would like to discuss the importance of training our National Guard and Reserve members. I have been an advocate to ensure that members of the Guard and Reserve are properly compensated. For example, I strongly supported including language in the National Defense Authorization Act (NDAA) for Fiscal Year 2005 that would allow Guard and reservists to receive improved health care coverage.

In addition to increased benefits such as health care, we in Congress must also ensure that our Guard and Reserve training is second to none. The impressive contributions of Guard and reservists in Operation Enduring Freedom and Operation Iraqi Freedom (OIF) have shown the truly essential role they play in our Nation's defense forces.

In Maine, the training of National Guard and Reserve members currently occurs at three separate armories. To consolidate facilities, improve training practices, and lower costs, the Maine National Guard has proposed as its top priority this year that a Joint Armed Forces Reserve Center is hosted at the Naval Air Station in Brunswick, Maine.

Such a facility would streamline operations and provide a cohesive, functional, and cost-effective training center. Our Guard members and reservists would be able to train in the facilities they need. All branches of the Service—Army, Navy, Air Force, and Marine Corps—would benefit.

Could you please comment on the Department of Defense's (DOD) views of joint Armed Forces training centers and their benefits of consolidation of training, resources, and manpower in one location, and is this a priority for the military?

Mr. HALL. The Department strongly supports and encourages joint construction. There is a statutory requirement in title 10, chapter 1803, which requires the construction of Reserve component joint facilities "to the greatest practicable extent." Therefore, improving the joint use and utilization rate of physical assets is a primary objective included in the Department's 2004 Defense Installations Strategic Plan. Joint construction meets the facility needs of more than one Reserve component, and often meets them quicker than when the components program for unilateral construction projects. Additional benefits of joint Armed Forces training centers include joint training capabilities, joint utilization of infrastructure assets, reduced force protection costs, and reduction in construction and continued sustainment costs.

2. Senator COLLINS. Secretary Hall, does the DOD recognize the importance of spreading joint training centers throughout all of the geographic regions of the U.S.?

Mr. HALL. The Department supports joint use of installation assets and additional consolidation and integration of training centers. As part of defense transformation, the Department's 2004 Defense Installations Strategic Plan calls for a joint basing initiative to highlight global opportunities for increased jointness to reduce life-cycle cost and overhead. The Department established a Joint Construction Working Group to facilitate program alignment, resources, and agreements between Reserve components. This review of the Future Years Defense Program allows better communication and eliminates roadblocks in planning regional joint training centers.

QUESTIONS SUBMITTED BY SENATOR SAXBY CHAMBLISS

RESERVE COMPONENT RETIREMENT

3. Senator CHAMBLISS. Secretary Hall, there has been some discussion in the Senate Armed Services Committee about potentially lowering the age at which retired reservists could collect their pensions. Additionally, we are well aware that some parts of the Reserve components are experiencing some recruitment and retention challenges. Looking at these two issues together, and in order to incentivize "volunteerism" in the Reserve component, has the DOD conducted any analysis to determine whether it would be feasible to lower the age by 1 year at which a retired reservist could collect his pension for each year the reservist was mobilized in support of an operational contingency, and what is your reaction to this proposal?

Mr. HALL. As part of the ongoing study being conducted by RAND on the Reserve retirement system, we have asked RAND to assess the effect on recruiting and retention of lowering the age at which a reservist could begin receiving an annuity. We should have those results in the near future, and I would be happy to share those findings with the committee.

4. Senator CHAMBLISS. Secretary Hall, Lieutenant General Helmly has recommended that the DOD eliminate the current policy to retire Army Reserve officers at their 20th year of Active Federal service, and has recommended that mandatory retirement dates for Reserve officers be extended to allow both categories of officers to continue to serve on a voluntary basis. Additionally, he recommended that the process to recall volunteer retired officers be streamlined to allow volunteer retired officers to be looked upon as a first source of personnel rather than as the last source as is currently the case.

What actions has the DOD taken to implement these three recommendations, and what changes in the law are required to give the DOD the authorities needed to more effectively manage Reserve personnel?

Mr. HALL. The law already permits Reserve officers to serve beyond 20 years of active Federal service, and Office of the Secretary of Defense (OSD) policy does not encumber that authority. The Navy, for example, allows their full-time support officers to serve on Active-Duty to the statutory years-of-service limits. OSD provides the Services with the flexibility to manage their Active Guard and Reserve Force in a way that meets service needs and provides reasonable career progression opportunities.

The law also permits Reserve officers to be retained in an active status beyond the normal years of service imposed for each grade. In fact, Congress supported an amendment we offered by enacting legislation in the NDAA for Fiscal Year 2004 that gives the Secretaries of the Military Departments greater flexibility in continuing Reserve officers.

Shortly after the attacks of September 11, the Department developed a strategy for the use of military retiree volunteers. Recognizing the considerable talent that military retirees provide, the strategy asked the Secretaries of the Military Departments to consider, when practical, the use of retirees who volunteer. Unit training and cohesion are factors that must be considered, but we also have many requirements for individual skills that may be ideally suited for a military retiree to fill. Each Service has a process to manage individual volunteers and recall them to Active-Duty when they can fill a military requirement.

Finally, as part of our continuum of service initiative, we are continuing to review force management issue, and as we find laws that inhibit our ability to optimize the use of our force we submit proposed changes through the Department's legislative process.

MOBILIZATION

5. Senator CHAMBLISS. Secretary Hall, Lieutenant General Shultz, and Lieutenant General Helmly, many people have called our current mobilization policies products of the industrial age. I've noted that the Army's medical department 90-day rotation policy speaks to "minimizing the mobilization process time" by "pre-certifying personnel for deployment." Has DOD or the Army learned any lessons from this initiative that will be applicable to reforming the mobilization process as a whole in order to bring this system into the 21st century?

Mr. HALL. The Department's policy is to give as much flexibility and support as possible to the Services in their execution of deployment rotations. An example is our support of the Army's 90-day rotation policy of professional medical personnel. The Office of the Surgeon General has received positive feedback from the soldiers that have deployed under this policy. In support of minimizing the mobilization process time, the Department continues to support other opportunities where a member's accredited and professional skills are fully transferable to their military function, as long as it is acceptable to the Service who is providing the solution and the combatant commander who is requesting the capability.

General SHULTZ. We have sought ways to minimize the amount of time units spend at the mobilization station by continuously examining the policies that we follow to support the mobilizations of our soldiers and units. Our primary goal is to ensure that the burdens are shared equitably across our force. To support this goal, we have established a force rotation/transformation model, Army Forces Generation (ARFORGEN) which we have developed with the States. By implementing the ARFORGEN model, we have now established a cycle that will provide the necessary resources over the course of the 5 years between a unit's mobilizations. At the end of those years, our units will be ready to deploy.

The situation in Iraq has forced the Army to revise the post-mobilization training plan for our units. The training for 90-day medical professionals has been changed from 1 to 2 weeks to ensure they are better prepared to face the conditions in theatre.

Army National Guard soldiers are screened for medical and dental problems prior to mobilization to ensure that only deployable soldiers are mobilized. The post-mobilization process is being improved by integrated databases and automating as many tasks as possible.

The technology of the 21st century is enabling us to increase the speed at which we process our soldiers through the initial phase of post-mobilization training. Our adversaries' symmetric approach to warfare necessitates that we provide our soldiers with as much real-time training as possible prior to their deployment. Our soldiers may be expected to conduct full-spectrum combat operations, peace-keeping/enforcement operations, and civil-military support operations over the course of their deployment.

We will continue to look at ways to minimize the time our soldiers spend between their mobilization and deployment date, but we cannot compromise on the quality of their post-mobilization training.

General HELMLY. The 90-day rotation policy was put into effect to address retention issues for a relatively small population of medical professionals. These medical professionals do not participate in unit combat preparation training prior to deployment; they undergo the administrative soldier readiness processing at the mobilization station and deploy. Such a policy would not be efficient for the remainder of the Army Reserve. Compared to medical professionals, the training required to prepare a unit for mobilization requires more time to build a cohesive team capable of performing combat missions. This training involves certification in individual skills as well as unit or collective skills. Individual skills are those required for basic safety, examples include weapons and chemical mask training. Collective skills are those required to perform the mission of a unit, an example would be convoy ambush training. It would also exceed the capacity of mobilization stations to process and train soldiers, be costly in terms of lift capabilities, and not allow soldiers to attain maximum competence before redeployment. A better approach to bring the mobilization system into the 21st century is implementation of the Army Reserve Expeditionary Force (AREF) which will support Army Force Generation. The AREF will allow the Army Reserve to systematically select and prepare soldiers and units for mobilization on a 5-year rotational concept.

6. Senator CHAMBLISS. Secretary Hall, Lieutenant General Shultz, and Lieutenant General Helmly, are any new legislative authorities needed to reform the mobilization process?

Mr. HALL. The Department continuously assesses policy and law affecting the Services' mobilization processes. Currently, there are no legislative barriers preventing us from supporting their mobilization process re-engineering efforts.

General SHULTZ. The laws governing the mobilization process are not hindering our ability to provide ready, trained forces to the combatant commanders.

General HELMLY. No. Additional legislative authorities are not needed.

The mobilization process is procedurally cumbersome, but this is due to policy restrictions, to antiquated personnel and financial systems and to poor preparation in past times. Policies that have affected mobilization include:

- Tour Length. Tour lengths have gone from 6 months to 270 days to 1 year 'boots on the ground' time. The decision to use soldiers for only a part of the period allowed by law has the effect of using a greater percentage of a soldier's Active-Duty time in processing, pre-deployment training, and travel (compared to actual employment time) and wasting up to 30 percent of the available force.
- Recall to Active-Duty. The restriction against recall of previously mobilized soldiers to Active-Duty means that none of the 'wasted time' can be recovered.
- Deployment Criteria. Historically, Army Reserve units have been staffed and funded at C3 readiness levels (65–74 percent available personnel strength). From the outset, the deployment criteria have been set well above this level, which necessitated there assignment of soldiers on a massive scale and which reduced the readiness levels of later deploying units.
- Predictability. Department of the Army preparation for mobilization requires that the requirements in each rotation identified as early as possible down to grade/military occupational specialty (MOS)/number level of detail. This is as critical for Combat Support (CS) and Combat Service Support (CSS) units as it is for Combat Arms units since many of the CS/CSS units will require personnel reassignment, equipment cross-level action, retraining of non-MOS qualification soldiers, phased mobilization, and possibly recall of Individual Ready Reserve (IRR) soldiers.

The combination of continuing mobilization requirements, personnel shortages and mobilization policy requires significant personnel crossleveling to meet mission requirements. Title 10, U.S.C. 12302 allows multiple mobilization limited to 24 months in duration. Current policy interpretation dictates that soldiers can be involuntarily mobilized for up to 24 months of cumulative duty. This is commonly known as the mobilization clock. In order to continue to support continuous mobilization requirements, there will need to be a revision of the policy as it relates to cumulative duty, or a new mobilization authority under title 10.

Finally, current personnel and discounted systems were never designed to allow for seamless transfer of data between the Active and Reserve components. Deployed soldiers created ad hoc systems to manage theater personnel accountability, and nondeployed Army Reserve headquarters had little visibility of their mobilized soldiers.

NON-PARTICIPATING RESERVISTS

7. Senator CHAMBLISS. Secretary Hall, Lieutenant General Helmly has recommended that members of the selected Reserve who fail to meet the terms of their contractual obligations be either called to Active-Duty or discharged. His recommendation would affect the over 16,000 "non-participants" who are essentially absent without leave (AWOL) from duty, but whose numbers swell the rolls of the Reserves and require the Army to pay Servicemember's Group Life Insurance and Defense Health Program premiums for them. A 2004 Government Accountability Office (GAO) report cited the Army Reserve for spending $46 million in 2003 on these AWOL non-participants while getting no service in exchange. Additionally, because these AWOL soldiers are on the rolls and included in number counts, the Army Reserve has great difficulty even determining its true recruitment and retention requirements.

What actions has the DOD taken to either call these soldiers to Active-Duty or expeditiously discharge them?

Mr. HALL. My office assisted the GAO when it was conducting its review of the non-participant issue by helping them determine the scope of the problem. Since that time, my staff has worked closely with the Reserve components to reduce the number of non-participants. This is a process that each component must manage, and the OSD role is to continually monitor the percent of non-participants to ensure that the Reserve components are within acceptable limits. There is a statutory provision under which an unsatisfactory participant may be called to Active-Duty—10 U.S.C. 12303. The maximum total period that the reservist can be required to serve on Active-Duty under this provision is 24 months, which includes all previous Active-Duty service. This does provide an alternative to address unsatisfactory participants that we may choose to use. However, we would recommend a more positive management approach before invoking this provision, and we would strongly urge not employing this option until we ensure that all Ready Reserve members are informed of the possibility that they could be involuntarily placed on Active-Duty for failing to participate in accordance with their service commitment. The Army has initiated a communications plan to inform and educate members on their obligations, requirements, and opportunities.

8. Senator CHAMBLISS. Secretary Hall, when will the DOD and the Army be complete with this process?

Mr. HALL. This is an ongoing process. We always have some members who fail to honor their service commitment. It is our job, both OSD and the Reserve components, to either get these non-participants back to a satisfactory status, or take the necessary management actions, whether that is to use the call-up authority, transfer to another status depending on the mobilization potential of the reservist, or discharge with the appropriate separation code.

QUESTION SUBMITTED BY SENATOR EDWARD M. KENNEDY

AIR NATIONAL GUARD FLYING FORCE STRUCTURE

9. Senator KENNEDY. Secretary Hall, Lieutenant General Blum, and Lieutenant General James, what plans has the Air Force been working with you on to help synchronize the draw-down of the Air National Guard (ANG) flying force structure with training requirements for new missions to ensure your members are ready to assume these new missions and don't go for a significant period of time without a mission?

Mr. HALL. The mission of the Assistant Secretary of Defense for Reserve Affairs, as stated in title 10 U.S.C., is the overall supervision of all Reserve components' affairs in the DOD. To meet this requirement, I like to apply an axiom I call, my "Acid Test for the Guard and Reserve" which is "to ensure the Guard and Reserve are: assigned the right mission; have the right training; possess the right equipment; are positioned in and with the correct infrastructure; are physically, medically, and operationally ready to accomplish the assigned tasks; are fully integrated within the Active component; and are there in the right numbers required to fight and win any conflict." In order to conduct this overview, the Air Force provided my staff and me with a Future Total Force (FTF) brief outlining the serious future challenges all three components of the Air Force are facing: a shrinking budget, an aging aircraft fleet, emerging missions as well as transition missions that are up for consideration. The FTF envisioned by the Air Force will allow them to apply revolutionary technological advances to a more capable force structure while taking advantage of the wealth of experience that resides in the Guard and Reserve by means of new organizational constructs. For instance, the very successful associate unit concept may be expanded from the Air Force Reserve to the Air Guard as well. From a new mission perspective, the Guard is well on its way to establishing multiple unmanned aerial vehicle (UAV) control operations (e.g., Predator). In addition, the training issues and the challenges associated with these changes are also being addressed. Specifically, the FTF Director solicited my support and active participation to help refine and improve the implementation plans, as well as to gain legislative support in these areas. Most importantly, my office was invited to participate on the FTF Integrated Process Team (IPT) for the purpose of ensuring the Air National Guard would have relevant missions, and that Guard manpower would be retained.

General BLUM and General JAMES. The Air National Guard is making every effort to work with the Air Force to ensure that we "bridge the gap" between our divestiture of legacy systems and our standup of these new and emerging missions. Our greatest concern is ending up in a position where we have transferred out of a system prematurely, thereby losing our most valuable asset . . . our experienced guardsmen. As we move forward we will continue to keep a watchful eye on the training pipelines for these new roles and ensure our guardsmen have adequate access to training. In addition, we are working with the Air Force to identify adequate resourcing for these new and emerging mission areas. We will make every effort to ensure our future guardsmen are equipped and trained for their new role.

Because we await the basing decisions of Base Realignment and Closure (BRAC) we cannot predict with any certainty which units will get which missions, and the time phasing of their lay down; but, as soon as BRAC announcements are made, please be assured that the Air National Guard will work with the Air Force to make any ANG unit transition, if deemed necessary, as smooth as possible.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. AKAKA

SPECIAL SKILLS RECRUITING

10. Senator AKAKA. Secretary Hall, in your prepared statement for this subcommittee, you state that the reservists most frequently deployed are those that possess specific capabilities and skills needed for stabilization and security operations in Iraq and Afghanistan.

What are you doing to ensure that your recruitment efforts focus on acquiring the skills needed for these operations and at the same time proactively determine and acquire skills that will be needed in future environments?

Mr. HALL. We are aggressively pursuing initiatives to rebalance the force in order to provide more rotational depth in the skills that are stressed and we know we will need in the future military environment. For example, the Army has rebalanced approximately 40,000 spaces of force structure and will complete the majority of their rebalancing—a total of over 100,000 spaces—to increase the number of high demand capabilities in both the Active and Reserve Forces by 2007. The additional rotational depth will decrease the frequency and duration of deployments for both Active and Reserve component members. Reserve component recruiting incentives, which were significantly enhanced in last year's NDAA, are being used effectively to attract new recruits, and reenlistment incentives are paying huge dividends in helping the components retain their battle-tested warriors. This year, we are asking for your support by increasing the bonus amount we can pay to members separating from Active-Duty who agree to serve in the Selected Reserve. We are also seeking your support in authorizing a new Reserve critical skills retention bonus—similar to the Active-Duty critical skills retention bonus. This bonus will provide the Reserve compo-

nents with a flexible tool to target existing and emerging critical shortages. As we identify other needs, we will seek your support through the Department's legislative process.

RESERVE ROTATIONS

11. Senator AKAKA. Secretary Hall, in your prepared statement you indicate that reservists currently furnish 46 percent of troops in theater in Iraq and Afghanistan. You also state that your goal for the rotation policy is to provide reservists a break of at least 24 months between rotations.

What is your current success rate in meeting this goal for each of the Service's Reserve components?

Mr. HALL. In those limited cases where there is a need to involuntarily remobilize specific Reserve members, a rigorous process is in place in which the Secretary of Defense scrutinizes the remobilization requirement by considering the following factors: (1) how long since the previous involuntary mobilization, (2) was the duty in support of Operation Noble Eagle, (3) what was the duration of the previous mobilization, (4) how hazardous was the previous mobilization, (5) did the member deploy out of the continental United States, and (6) what is the demand for the skill set. The goal of the DOD is to provide at least 24 months dwell time between involuntary mobilizations of Reserve members.

In those cases where we have had to recall Reserve members more than once, the requirements are typically for those skill sets that are in great demand (such as civil affairs, transportation, military police, and supply), but are in short supply. However, application of current DOD systems precludes us from differentiating between those Reserve members who have been involuntarily remobilized, and those who have volunteered for multiple tours. Though about 69,000 Reserve members have been called to Active-Duty more than once, based on informal tracking, we estimate that approximately 2,000 members (or less than 3 percent of those called up more than once) have been involuntarily remobilized.

In order to better track voluntary calls to Active-Duty and involuntary mobilizations, the Reserve components have been directed to begin reporting the legal authority under which a member is placed on Active-Duty. This will enable the Department to provide a much clearer picture, in the future, on how a member was placed on Active-Duty (voluntary or involuntary), and provide for determination of dwell time between involuntary mobilizations. This new reporting requirement is currently being tested.

12. Senator AKAKA. Secretary Hall, you provided statistics in your prepared statement regarding Reserve rotation rates. You state that nearly 12,000 reservists have been mobilized more than twice with nearly 3,000 more than three times.

What is the long-term impact on your retention rates and the recruitment goals with such high rates of re-deployment becoming more common?

Mr. HALL. Having any Reserve members serve more than once is a concern to the Department, and is something that we are watching very closely. The 12,000 reservists mobilized more than twice is a significant number, but it represents less than 3 percent of the number of Reserve members called-up and less than 1.5 percent of the current Selected Reserve strength. Similarly the 3,000 Reserve members called up more than three times represents an even lower percentage. But even more importantly, it should be noted that most of these members who have served multiple times are volunteers. Considering these facts, along with the current attrition and reenlistment rates in the Reserve components, I do not believe that that there has been a significant impact upon either retention or recruiting. Our latest data continues to indicate that both reenlistment and attrition rates remain at their historical levels. We have no evidence that recruiting is appreciably impacted based upon multiple mobilizations. This is supported by a preliminary finding being conducted by the Center for Naval Analysis which is studying attrition among the Reserve components to identify trends. We will continue to monitor multiple call-ups, as well as recruiting, reenlistments, and attrition to ensure that that they remain within acceptable levels.

13. Senator AKAKA. Lieutenant Generals Blum, Schultz, James, Helmly, McCarthy, Bradley, and Vice Admiral Cotton, I have heard numerous reports that when National Guard units and Reserve components return from their rotations in Iraq that their equipment is kept in theater and that they do not have adequate equipment to train with when they return to their home duty station.

How are the Services addressing this and ensuring that all components have the equipment necessary to maintain readiness and train adequately?

General BLUM, General SHULTZ, and General JAMES. Stay Behind Equipment (SBE) is equipment that is taken from units in theatre prior to redeploying back to the continental United States (CONUS). The SBE is used to mitigate equipment gaps that exist between redeploying units and units on the ground, to include newly deployed Army National Guard (ARNG) units that arrive in theatre that must be equipped at near 100 percent of equipment requirements. Prior to this war, the Army and ARNG have been resourced to significantly less than 100 percent of equipment requirements (ARNG generally at 75 percent). It is Army policy that deploying units be equipped to 100 percent or better. These shortages are filled by cross-leveling from Army, ARNG, and Army Reserve units that are directed to leave equipment in theatre prior to redeploying to CONUS. With this said, the Army is currently working a resourcing strategy to improve this situation.

There have been approximately 105,897 pieces of ARNG equipment used as SBE or Theatre Provided Equipment (TPE). This equipment has come from ARNG units from all 54 States or Territories. Vehicles with armor or add-on armor are routinely designated as Theatre Provide Equipment and will rotate between outgoing and incoming units.

These ARNG equipping issues are ongoing; however, the Army G8 has developed an equipment strategy that includes approximately $2.8 billion worth of equipment purchases in our current and future budgets to help solve this situation. We will see improvements in our equipment readiness when those resources allow us to field equipment next year and through the program objective memorandum (POM) years.

General HELMLY. The Army Reserve recognizes the Army's challenge in resourcing the force with the most modern equipment. While the Army has recognized our equipment needs and is attempting to fill the total Army's requirements, the Army Reserve has implemented an innovative equipment strategy. This strategy has units receiving their minimum essential equipment for training at home station. The remaining equipment is divided among several centralized individual and collective sites to support training. This strategy maximizes the use of our limited modernized and available equipment, allowing the AR to provide trained and ready troops when needed. With the support of Congress, this equipment strategy will ensure the AR continues its faithful stewardship of the Army resources.

General MCCARTHY. The Commandant of the Marine Corps established the policy that retains all equipment for forward deployed marines in support of OIF to remain in the theater. The policy supports the most cost effective strategy and ensures stable and seamless operational support during force rotations. Initial forces deployed in support of OIF included Reserve component units and their associated equipment. In order to better support the operational strategy, the equipment the Reserve units deployed with remains in Iraq today.

Second order effects of the policy to retain equipment in theater has led to home station unit equipment shortfalls for both our Active and Reserve components. These shortfalls have direct impact on the ability of Marine Forces to train in order to prepare for immediate and future deployments in support of the global war on terrorism. In order to ensure that our forces are equipped to properly train for current and future operations, actions were initiated to transfer equipment between units throughout the Marine Corps. This transfer of equipment included to and from both the Reserve and Active component.

Headquarters Marine Corps intends to reconstitute Reserve and Active component equipment utilizing excess equipment from Iraq as force requirements are reduced, fiscal year 2005 and future supplemental purchases, active fielding plans, equipment from scheduled and non-scheduled depot programs, and the cross leveling of equipment between Active and Reserve component Marine Forces at Home Station.

General BRADLEY. Air Force Reserve Command (AFRC) units have had to leave a significant amount of equipment in the CENTCOM AOR. An assessment conducted in February 2005 revealed that it would cost $14.1 million to completely fund replacement of this equipment.

AFRC has employed creative strategies to overcome the training challenges associated with not having this equipment available. These strategies have involved stretching our use of residual equipment to include equipment sharing between units. These strategies have sufficiently addressed all of our training challenges except those associated with the long-term loan of our aircraft Litening targeting pods.

AFRC has loaned an extensive number of Litening targeting pods to the AOR for operational necessity and to the Air National Guard to help mitigate their own shortfalls. This has resulted in an almost complete loss of Precision Engagement/Close Air Support (PE/CAS) training capability within our A–10 community and a reduced PE/CAS training capability within our F–16 community. Because of this, we

are carefully considering additional requests for these targeting pods. We expect this training challenge to linger until November 2005 when we will begin to receive back targeting pods currently out for modification. In sum, this is primarily a short-term issue that can only be resolved in the short term by return of the targeting pods. This issue should be resolved in the long term once the Air Force is able to field the new Sniper targeting pod.

Admiral COTTON. The primary Navy Reserve component "equipment units" that have deployed to Iraq include Naval Military Construction Battalion (SeaBees), Naval Coastal Warfare, Explosive Ordnance Disposal, as well as various AntiTerrorism/Force Protection units.

Approximately 50 percent of Seabee gear currently in use in Iraq was initially prepositioned aboard Maritime Prepositioning Force ships. The remaining 50 percent is deployed and returned with each battalion. Training gear (essentially two Battalion's Table of Allowance) is specifically reserved and remains in the continental United States at all times, with one exception. If deployment of all 20 Seabee Battalions was directed, the last 2 battalions would deploy with the gear normally reserved for training purposes. Deployment of all 20 Seabee battalions is neither scheduled nor anticipated to occur. Seabee units have not experienced incomplete training objectives due to lack of training equipment.

Naval Coastal Warfare, Explosive Ordnance Disposal, and various Anti-Terrorism/Force Protection units use a prepositioning philosophy to managing equipment. Leaving certain gear in theater as units rotate reduces maintenance requirements, lift requirements, and results in less wear and tear on the equipment. Specific shortfalls on equipment, whether training or operational, are being successfully addressed in the budget process and through cost of war supplemental funding. There have been no instances of failure to meet training objectives due to non-availability of equipment. All units successfully complete a Final Evaluation Period prior to deploying to ensure completion of their training objectives.

Navy Expeditionary Logistics Support Force (NAVELSF) training requirements may fulfilled at either of two locations: Maritime Administration Ships in various East and West coast ports, or crane simulators located at ELSF Headquarters in Williamsburg, Virginia. Training certification is not dependent on any equipment currently overseas, but rather on a unit's proximity to one of the training sites. All detachments are fully trained prior to deploying and no objectives have been waived due to non-availability of equipment. Currently, NAVELSF units are deploying and falling in on Army equipment (portable cranes and various Civil Engineering Support Equipment) per the approved Deployment Order. Navy personnel receive training on this equipment, which is very similar to Navy equipment, either prior to deployment or during the turnover process after arrival in theater. Normal training and certification paths do not require use of this Army gear, thus the fact that it remains in theater does not impact NAVELSF training in the continental United States.

[Whereupon, at 4:20 p.m., the subcommittee adjourned.]

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