S. HRG. 109–827, PT. 6

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2007

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

ON

S. 2766

TO AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 2007 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

MARCH 1, 14, 30; APRIL 4, 2006

Printed for the use of the Committee on Armed Services

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DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2007

WEDNESDAY, MARCH 1, 2006

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 9:29 a.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 members present: Jonathan D. Clark, minority counsel; Gabriella Eisen, research assistant; and Gerald J. Leeling, minority counsel.

Staff assistants present: Jill L. Simodejka and Pendred K. Wilson.

Committee members' assistants present: Meredith Beck, assistant to Senator Graham; and Eric Pierce, assistant to Senator Ben Nelson.

OPENING STATEMENT OF SENATOR LINDSEY O. GRAHAM, CHAIRMAN

Senator GRAHAM. The hearing will come to order, and let the record reflect that we're a minute early. That's history for the Senate. The marines are out there doing some reconnaissance somewhere, but we know they'll show up here soon. Thank you all for coming. Good morning.

The subcommittee meets today to receive testimony on Active-Duty, Reserve, and civilian personnel programs in review of the National Defense Authorization Request (NDAA) for Fiscal Year 2007.

Senator Nelson, my partner here on the subcommittee, will be coming shortly. I would like to say, for the record, that I could not

have asked for a better person to work with. He has been a terrific partner in trying to do what's best for the men and women who serve our country. I look forward to hearing his remarks here later on.

I also want to express my thanks to the other members of the Personnel Subcommittee, Senators McCain, Collins, Chambliss, Dole, Kennedy, Lieberman, and Akaka, and, of course, to Senator Warner, who's been a great chairman, and Senator Levin, the ranking member, for their support, encouragement, and hard work. Each Senator and their staffs contributed greatly to the formulation of last year's NDAA, which I am very proud of, which provided new authorities for the benefit of our Active-Duty, Reserve, and National Guard personnel. I'd like to congratulate everyone, including our Department of Defense (DOD) partners here, and the men and women in uniform on a job well done last year.

Secretary Chu, we're glad to have you here again. You're a reform-minded guy. I really enjoy working with you, and I think you have some good ideas on how we can make the military and the DOD run more efficiently.

We also have our personnel chiefs today: Lieutenant General Hagenbeck, U.S. Army, Deputy Chief of Staff for Personnel—and we appreciate your being here, sir; Vice Admiral John Harvey, U.S. Navy, Chief of Naval Personnel; Lieutenant General Osman, U.S. Marine Corps—he'll be here in a minute—and Lieutenant General Brady, U.S. Air Force, Deputy Chief of Staff for Personnel.

Thank you all for coming. I look forward to hearing what you have to say.

I would like to introduce my opening statement in full for the record.

[The prepared statement of Senator Graham follows:]

PREPARED STATEMENT BY SENATOR LINDSEY O. GRAHAM

As chairman of the Subcommittee on Personnel, I am very pleased with the accomplishments of the Committee on Armed Services last year and with the advances that were made on behalf of the men and women of the Army, Navy, Marine Corps, and Air Force. The conference report that was signed by the President on January 6, 2006, was the product of dedicated hard work and unprecedented cooperation by the House and Senate Committees on Armed Services and their staffs. At a time of war and ongoing combat operations, the Nation should expect no less. I point out some of the key provisions of that legislation, which became Public Law 109–163, later in this statement.

As the report of the Quadrennial Defense Review that was released earlier this month made clear, the United States and the Armed Forces have accepted the reality of a protracted, "long war" against terrorism and in support of our national security goals, including the advancement of democracy and freedom throughout the world. Our troops—volunteers all—in the Active and Reserve components, have responded superbly, to every mission and every call to duty. I want to express, on behalf of all my colleagues, our gratitude and admiration for the service and sacrifices of all men and women in uniform and their families.

Without question, the stress of wartime operations in Operations Iraqi Freedom and Enduring Freedom have affected recruiting in the All-Volunteer Force. All the Services, and particularly the Army and Marine Corps, have worked this challenge with characteristic energy and positive attitudes. We are standing by to assist you as we can in helping young Americans and their parents, relatives, and influencers make good decisions about the great value of military service.

I assure all our members that the Committee on Armed Services and this subcommittee, in particular, are determined to work with the Department of Defense (DOD) to ensure good recruiting and retention, outstanding programs in support of quality-of-life for the men and women of the armed services and their families, and sustained readiness.

The Personnel Subcommittee continued its focus on improving compensation and quality-of-life programs, supporting achievement of recruiting and retention of military personnel, and providing for severely wounded and the survivors of military personnel killed on Active-Duty. Highlighting just a few of the key advances that were made, the conference report:

- Approved a 3.1 percent pay raise for all military personnel
- Authorized an increase to $100,000 in the death gratuity payable to survivors of all military decedents, including retroactive payment to October 7, 2001, the date of commencement of Operation Enduring Freedom
- Authorized increases in Active-Duty end strength of 10,000 for the Army and 1,000 for the Marine Corps
- Authorized government-subsidized access to TRICARE Standard for every member of the Selected Reserve who commits to continued service in the Selected Reserve
- Approved full basic allowance for housing for reservists who are ordered to Active-Duty for more than 30 days
- Authorized increases in the maximum amount of the Active-Duty enlistment bonus and the selective reenlistment bonus
- Authorized $30 million in supplemental educational aid to local school districts which are affected by the assignment or location of military families, including $5.0 million for educational services to severely disabled children, and an additional $10.0 million for districts experiencing a change in the number of students due to rebasing, activation of new military units, or base realignment and closure
- Authorized $50.0 million increase in military child care services, and $10.0 million increase in family assistance services
- Authorized accelerated phase-in of full concurrent receipt for military retirees receiving veterans' disability compensation as a result of a disability by reason of a determination of individual unemployability
- Approved full basic allowance for housing for reservists who are ordered to Active-Duty for more than 30 days
- Approved income replacement payments for reservists experiencing extended and frequent mobilization for Active-Duty service
- Authorized higher Selected Reserve officer affiliation and accession bonuses and Selected Reserve enlistment bonus
- Authorized an interservice transfer bonus of up to $2,500 for Active and Reserve members who transfer to the Active or Reserve component of another military service
- Authorized a critical skills career retention bonus of up to $100,000 for members of the Selected Reserve
- Authorized a special pay for members undergoing rehabilitation from injuries or wounds incurred in a combat zone or combat operation
- Directed establishment of comprehensive DOD policies to improve assistance to survivors of military personnel killed on Active-Duty and to families of seriously injured or wounded servicemembers
- Directed establishment of a DOD task force on mental health matters affecting members of the Armed Forces and their families
- Authorized a $18.0 million increase in clinical diagnosis and care of victims of blast injury, including traumatic brain injury
- Directed the Army to conduct a pilot program that would provide for "matching funds" contributions of up to 5 percent of basic pay for first term enlistees who participate in the Thrift Savings Plan
- Authorized $10.0 million for pilot programs to improve early diagnosis and treatment of post-traumatic stress disorder and other mental health disorders
- Authorized $77.0 million for physical examinations and medical and dental readiness for members of the Selected Reserve
- Authorized up to 21 days of leave for military members in connection with the adoption of a child
- Directed the use of appropriated funds for overseas transportation of Army and Air Force Exchange merchandise for military members and their families overseas

Senator GRAHAM. I'd like to end with this thought: The men and women who are serving in Active and Reserve roles are giving their all. They and their families are going above and beyond any rea-

sonable expectations. The Guard and Reserve are being used at levels not seen since World War II. The Reserve community air crews are all, basically, in volunteer status. They've been activated for their 2-year statutory tour. They could all quit tomorrow if they wanted to, but they've chosen not to. I don't believe they will, because they're great Americans. The stress on the family is real. The stress on our troops is real, but it is part of the job. This year, our goal is to come up with a budget that meets their needs and relieves as much stress as possible.

With that said, Secretary Chu, I would love to hear what you have to say about this year's proposal.

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

Secretary CHU. Thank you, Mr. Chairman. Thank you for your leadership and the partnership with you and members of the committee on the important issues facing our military personnel.

This is the 33rd year in which the country returned to its tradition of an All-Volunteer Force as the way of staffing its military. I agree with you, this volunteer military has performed magnificently in its current operations. It is, as my colleagues would promptly remind me, not just an All-Volunteer Force, but also an All-Recruited Force. In that regard, we appreciate the partnership of Congress in speaking to what we call the "influencers," the older Americans, the adults, parents, counselors, teachers, et cetera, who have such an important effect on young people's decisions. We need more help from them in celebrating the positive choice of young Americans to consider military service.

We recognize, however, that, in an All-Volunteer Force, our pay and benefits package must be competitive. That is the reason we are proposing an across-the-board pay increase for the uniformed force this year that matches the change in the employment cost index in the economy as a whole. At the same time, we are proposing additional increases for the noncommissioned officer (NCO) corps in order to bring them to the standard that the 9th Quadrennial Review of Military Compensation set; that is to say, to be at the level that is equal or better than 70 percent of the American workforce, adjusted for experience and degree of educational achievement.

We're looking forward to the 10th Quadrennial Review of Military Compensation, which began this year, as required by statute. We will, of course, take as one of the important documents for that review, the soon-to-be-received report from the Defense Advisory Committee on Military Compensation appointed by the Secretary last year at this time.

We recognize that personnel are the single largest element in the overall budget of DOD; and, therefore, we have to be judicious in our choices about compensation, pay, and benefits.

We thank the conferees who worked on last year's NDAA, for giving great deference to the issue of costs, in terms of changing pay and benefit programs. This is one of the reasons the Department has been very careful about any change in the permanent planned end strength of the force—the Active military force, specifically. At the same time, on the pay and benefits side, we recognize we must

be able to sustain the package we have now—for those who are serving, especially. Hence, our proposals on the health benefit for retirees under 65. We should keep that benefit, the fine program that it is now, into the future.

We look forward to working with you, Mr. Chairman, and I look forward to answering your questions now and in the weeks ahead.

Thank you.

[The prepared statement of Secretary Chu follows:]

PREPARED STATEMENT BY HON. DAVID S.C. CHU

INTRODUCTION

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

I am struck by the consistent theme of our annual review of the Department of Defense's (DOD) personnel programs: we are a Nation committed to an All-Volunteer Military Force and we must do our very best to sustain it. It falls to us to sustain it not in a time of peace and tranquility, but in the midst of a long war—a war irregular in nature in which we fight against unconventional enemies, extremists, and global terrorist networks.

Additionally, we must sustain that force with limited resources. Difficult choices will need to be made, predicated on careful analysis and careful consideration of risks.

The Department began its transformation journey before September 11, 2001, and we have been re-tooling continuously our structure, missions, and capabilities. The Quadrennial Defense Review (QDR) represents the latest stage in that journey. It recommends developing an information age human capital strategy to shape a 21st century Total Force. Over 3 million people across the military services and components, multiple organizations and agencies work for DOD. The Department uses over 15 different occupational systems with over 6,000 occupational definitions. The future human capital strategy should provide a uniform competency-based approach to occupational planning, performance-based management, and enhanced opportunities for personal and professional growth.

Some ask if the force is broken. It is not. Our military and civilian forces comprise high quality, motivated individuals who are choosing to continue to serve. Almost two thirds of the Active military tell us they intend to stay on Active-Duty and a similar fraction expresses satisfaction with the overall military way of life. Survey results likewise show a strong, resilient Reserve Force—over 70 percent are satisfied overall with the military way of life. Furthermore, in recent surveys over 80 percent of civilians indicate they are satisfied with their jobs and three quarters indicate they plan to continue to work for their current organization.

Obviously, we have done many things right over the last several years, but we should not assume that we have done enough. To that end, we seek expert reviews of some of our most important policies and programs. The Defense Advisory Committee on Military Compensation was chartered last year to provide the Secretary with advice on matters pertaining to military compensation. The Advisory Committee has been examining approaches to balancing military pay and benefits and incentive structures and may make suggestions for improvements that they believe will assist us in meeting our recruiting and retention objectives. I look forward to the release of the final report in April and discussing its conclusions with the leadership of the Department and Congress. We will use the Advisory Committee's report as a starting point for the 10th Quadrennial Review of Military Compensation, mandated by statute.

THE ALL-VOLUNTEER FORCE

End Strength, Stress, and Shaping the Force

Maintaining a strong defense which is able to quickly overcome and defeat enemy threats remains an imperative for our Nation. In that regard, the DOD continues to take actions aimed at reducing the stress on the force as operations in Iraq, Afghanistan, and the global war on terrorism continue, while maximizing present and future Total Force capabilities. By focusing our efforts on more effectively structuring and managing our forces, and employing advanced technology, we strongly believe there is no requirement for permanent increases in our end strength. In fact, we believe that planned reductions resulting from transformation efforts in the active Air Force and Navy manpower programs, and the Navy Reserve, as stated in

our fiscal year 2007 President's budget request, balance risk with fiscally responsible manpower program decisions.

To support these programmed strengths, we continue to transform how the U.S. military is structured. We are continuing to develop an integrated package of voluntary separation incentives that do not "break faith" with members who have given loyal and dedicated service. I want to recognize the targeted incentive authority that you provided us, which allows us to offer monetary incentives to shape the military services in specific year of service officer cohorts. Voluntary incentive tools like this are of particular importance when the Air Force and Navy are decreasing in size while the Army and Marine Corps are increasing operating strength. Our goal is to use these tools sparingly to make sure our forces are sized and shaped to be the most effective, flexible, and lethal. Only if voluntary separations do not suffice would the military departments, as a last resort, implement involuntary separation measures such as Selective Early Retirement.

We also recognize that stability of the force, particularly its leaders, is key to the successful transformation of organizations. Although development is an important endeavor that requires a breadth of experience, far too often we accept extraordinary turbulence in positions of special responsibility, and tacitly accept shorter careers and earlier retirement. I do not believe this is a prescription for long-term success, particularly during periods of transformation. As a result, we have begun looking for opportunities to extend tenure and careers where it makes sense.

The old force structure, designed to respond to Cold War threats, does not provide us with the best balance of capabilities in the Active and Reserve components for the 21st century. Rebalancing the force must continue, converting capabilities within and between the Active and Reserve components, shifting resources from lower demand capabilities to higher priorities. The Services are improving their posture with respect to the Active component/Reserve component mix and have rebalanced about 70,000 spaces through fiscal year 2005. The Services are pursuing additional rebalancing initiatives for fiscal year 2006 through fiscal year 2011 totaling 55,000 additional spaces.

Military-to-civilian conversions are also helping to alleviate stress on the force while increasing our combat potential. In fiscal year 2004 and fiscal year 2005, the Department converted over 20,000 military billets to DOD civilian or private sector performance and currently plans to convert an additional 10,000 plus billets in fiscal year 2006 and fiscal year 2007. Further conversions are being identified for fiscal year 2008 through fiscal year 2011. Military strength made available from these conversions is being used to ameliorate high demand/low density challenges, alleviate stressed career fields, and enable initiatives such as Army Modularity. Because of conversions, the Navy and the Air Force will be able to reduce their authorized military end strength without any loss of combat capabilities. In fact, savings from these conversions will result in increased force effectiveness as resultant savings are applied toward force modernization, recapitalization, and other compelling needs.

Stress on our All-Volunteer Force will also be reduced through targeted investments in less manpower intensive platforms and new age technologies such as electronic hardware, communications systems, precision weapons and unmanned air, land and sea vehicles. One such example is the application of new technologies that reduce the manpower required for the performance of Air Force installation security. This success is being implemented around the world. To ease the burden on some high demand/low density units and individuals, we have employed innovative joint concepts to meet mission requirements. Today, Navy and Air Force personnel are augmenting ground forces in Iraq and elsewhere. Actions like this result in additional capabilities and effects that would simply not be possible in a parochial "stove-piped" organization.

Active-Duty Recruiting and Retention

The success of our All-Volunteer Force starts with recruiting. An improving economy, growing concerns from global war on terrorism, increased Army recruiting goals, and high operational tempo continue to challenge our ability to recruit. During fiscal year 2005, the military services recruited 153,887 first-term enlistees and an additional 9,372 individuals with previous military service into their Active-Duty components, for a total of 163,259 Active-Duty recruits, attaining 96 percent of the DOD goal of 169,452 accessions. The quality of new Active-Duty recruits remained high in fiscal year 2005. DOD-wide, 95 percent of new Active-Duty recruits were high school diploma graduates (against a goal of 90 percent) and 70 percent scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60 percent).

Through January, fiscal year 2006 all Services have met or exceeded numerical recruiting objectives for the Active Force. Army achieved 19,859 of its 19,100 re-

cruiting goal through January, for a 104 percent accomplishment. However, the Army's high school diploma graduate rate of 85 percent is not yet at our desired level (90 percent). The Army is focusing its recruiting on the summer months when more high school diploma graduates are available.

FISCAL YEAR 2006 ACTIVE COMPONENT ACCESSIONS

[Through January 2006]

	Quantity		
	Accessions	Goal	Percent of Goal
Army	19,859	19,100	104.0
Navy	9,758	9,643	101.2
Marine Corps	9,836	9,674	101.7
Air Force	9,711	9,641	100.7
Total	49,164	48,058	102.3

We appreciate the new authorities to support recruiting you provided in the National Defense Authorization Act (NDAA) for Fiscal Year 2006, especially the increased levels of enlistment bonuses and the $1,000 referral bonus. Additionally, the 3-year opportunity for the Army to provide additional recruitment incentives will allow the Department a level of additional flexibility to tailor incentives quickly to meet current needs. We have every confidence that requested supplemental funding and policy modifications will be sufficient to ensure continued success in achieving recruiting goals. Active-Duty officer accessions are on track in all Services for numerical success this year.

Army, Air Force, and Marine Corps met or exceeded fiscal year 2005 retention goals. Navy did well, achieving 91 percent of its mid-career goal, reflecting a shortfall in retention for a limited number of nuclear specialties. Retention bonuses for nuclear specialties at the statutory ceilings were insufficient for fiscal year 2005, but legislation in fiscal year 2006 provides higher retention bonus ceiling.

Overall, retention remains healthy in fiscal year 2006, and we expect all Services to meet or exceed fiscal year 2006 retention goals. To date, the Army has reenlisted 24,671 soldiers toward an end of year goal of 64,200. Army mid-career retention is 5 percent below the desired glide path, but the Army is targeting bonuses toward that population, and we believe the additional Non-Commissioned Officer (NCO) pay raise for fiscal year 2007 will also help the Army finish fiscal year 2006 in a strong position. Navy, Marine Corps and Air Force have enjoyed excellent reenlistment rates through January 2006, and are predicted to meet their goals for the fiscal year.

The Army is the only Service currently executing stop-loss. As of December 2005, 7,620 Active soldiers, 2,418 Army Reserve soldiers, and 2,429 Army National Guard soldiers were impacted by the stop-loss program. 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 the present need for stop-loss.

Over the past 3 years, the Department has worked to improve servicemembers' quality-of-life. We look forward to working with Congress to achieve needed military pay raises and flexible, discretionary compensation programs. We have every confidence that those actions will be sufficient to ensure continued success in achieving desired strength levels.

Purpose, Missions, and Policies of the Reserve Components

The Department's use of the Reserve components has changed significantly since 1990, and a mission-ready National Guard and Reserve Force has become a critical element in implementing our National Security Strategy. The Reserve components support day-to-day defense requirements, and portions of the Reserve have served as an operational force since Operations Desert Shield/Desert Storm. This force is no longer just a strategic Reserve used only in a generation. Since September 11, 2001, an annual average of about 60 million duty days have been provided by Reserve component members—the equivalent of adding over 164,000 personnel to the Active strength each year.

The Reserve components support the full spectrum of operational missions and currently furnish about 20 percent of the troops in the Central Command (CENTCOM) theater of operation. The Reserve components are performing a variety

of nontraditional missions in support of the global war on terrorism, including 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 also remains integral to homeland defense missions and will remain a dual-missioned force, performing Federal and state missions, exemplified by the more than 50,000 National Guard members who responded to Hurricane Katrina relief efforts last fall.

The Department's development of a "continuum of service" construct in fiscal year 2001 facilitates this transition to an Operational Reserve and provides the foundation for the new "Operational Support" strength accounting category authorized by Congress in the fiscal year 2005 NDAA. This new strength category makes it easier and less disruptive for Reserve component members to volunteer to perform operational missions.

Recognizing that this Operational Reserve is still a Reserve Force, our policies continue to support the prudent and judicious use of National Guard and Reserve members—something we have emphasized since 2001. We have focused on husbanding Reserve component resources and being sensitive to the quality-of-life of mobilized personnel, their families, and the impact on civilian employers of reservists. Our policies stress advance notification to aid in predictability, as well as now enabling reservists and their families to take advantage of early access to medical benefits.

Volunteerism is the cornerstone of our force. Of the more than 485,000 Reserve component members who have served since September 11, 2001, approximately 84,000 have served more than once—and almost all of those who have served more than once have been volunteers. No reservist has been involuntarily mobilized for more than 24 cumulative months.

This Operational Reserve supports ongoing missions where appropriate, while providing the additional Reserve capacity needed to meet surge requirements or support wartime or contingency operations. This new construct allows greater flexibility to perform new missions ideally suited to Reserve service, such as "reach-back" missions (intelligence, communications, unmanned arial vehicles, etc.) and training missions which would be appropriate to assign to a Reserve component unit.

One element in 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 support our Nation's local first responders by identifying the agents or substances involved, 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 36 of the 55 congressionally authorized teams as being operationally ready. The WMD CST funding for fiscal year 2006 is $214.6 million, and the budget request for fiscal year 2007 is for $224.2 million. The Department is preparing eight teams for certification in fiscal year 2006. The final 11 teams are being prepared for certification in fiscal year 2007.

Reserve and National Guard Utilization

There continues to be considerable discussion about the stress that the global war on terrorism is placing on the force. The most frequently asked 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 is a long war, the Department established a strategic approach to ensure the judicious and prudent use of the Reserve components, postulating involuntary mobilization no more than 1 year in 6. We will continue to assess the impact of mobilization and deployment on the Guard and Reserve and adjust our policies as needed to sustain the Reserve components.

As stated earlier, more than 485,000 Reserve component members have served in support if the current contingency since September 11, 2001. Of the current Selected Reserve Force of about 825,000 today, slightly more than 46 percent have been mobilized. We are monitoring the effects of this level of effort.

End strength achievement in fiscal year 2004 was less than 100 percent (98.4 percent) for the first time in 5 years, with the shortfall primarily in the Army National Guard and the Navy Reserve. Fiscal year 2005 the Army National Guard, the Army Reserve, and the Navy Reserve fell short of achieving their authorized strengths. Fiscal year 2006 projections, based partially on first quarter fiscal year 2006 data, indicate we will see some improvement in end strength achievement for the Army Guard.

The composite Reserve component percentage of recruiting goals achieved over the past 3 years are 97.5 percent in fiscal year 2003, 95.9 percent in fiscal year 2004, and 85.5 percent in fiscal year 2005. However, fiscal year 2006 first quarter recruiting results show a general reversal of this negative trend, with four of the six DOD Reserve components meeting or exceeding their recruiting goals—including both Army Reserve components.

Overall, Reserve component attrition rates remain at historically low levels: 18.4 percent in fiscal year 2003, 18.7 percent in fiscal year 2004, and 19.2 percent in fiscal year 2005. Fiscal year 2006 first quarter data indicate that attrition rates will remain at this level for fiscal year 2006, and may even decrease.

Department of Labor (DOL) cases involving Reserve component member claims of mistreatment by civilian employers have risen from 724 in fiscal year 2001 to 1,752 fiscal year 2005, reflecting the mobilization of nearly half million Reserve personnel, and a usage rate of Reserve component members in 2005 over five times higher than in 2001 (68 million mandays in 2005 compared to 12.7 million mandays in 2001).

We implemented a variety of mitigation strategies to reduce stress: retaining reservists on Active-Duty only as long as absolutely necessary; limiting the total period that a member may be involuntarily mobilized to 24 cumulative months for the current contingency operation; using innovative concepts to spread mission requirements across the Reserve Force where possible; rebalancing forces to reduce the need for involuntary Guard and Reserve mobilization; and, providing increased predictability of service and increased notification time to aid members, their families, and their employers. Simultaneously, to help ensure that we meet rotation requirements, other mitigation strategies have been developed. These strategies include, but are not limited to: use of provisional units; use of joint solutions; use of civilians and contractors; developing new incentives; increased use of volunteers; and, the training and use of indigenous forces.

Compared to Operation Desert Storm when we mobilized 30,000 Individual Ready Reserve (IRR) members, since September 11, 2001, we have only mobilized slightly over 10,000 IRR members. We have established an enhanced expectation management program to ensure that members, their families, their employers, Congress, and the public are more informed of Reserve service obligations and requirements—including obligations and service while in the IRR.

Reserve Component Recruiting and Retention

As noted earlier, recruiting has been a challenge for the Reserve components over the last 3 fiscal years. Although fiscal year 2006 first quarter data indicate a reversal, we are aware that the Reserves will continue to face a very challenging recruiting environment. Through January 2006, four of the six Reserve components met or exceeded their recruiting goals; only the Navy Reserve and Air National Guard did not achieve their goals. We are seeing steady improvements with overall Reserve component attainment of recruiting objectives—increasing from 98 percent achievement in October 2005 to 101 percent, year-to-date, in January 2006. The Army National Guard is leading the Reserve components at 109 percent achievement of its goal through January 2006, with the Army, Marine Corps and Air Force Reserve all attaining 100 percent of their goals. 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 it has had the greatest proportion of its force mobilized since September 11, 2001, in support of the global war on terrorism, yet recruiting remains strong. Fiscal year 2006 Reserve component enlisted accession performance, year-to-date, is depicted below.

FISCAL YEAR 2006 RESERVE COMPONENT RECRUITING

[Through January 2006]

Reserve Component	Goal YTD	Accessions YTD	Percent of Goal	Annual Goal
Army National Guard	18,219	19,807	109	70,000
Army Reserve	8,888	8,854	100	36,032
Navy Reserve	3,147	2,705	86	11,180
Marine Corps Reserve	2,458	2,468	100	8,035
Air National Guard	3,142	2,499	80	9,380
Air Force Reserve	2,354	2,362	100	6,780
DOD	38,208	38,695	101	141,407

To address their recruiting challenges, the Army National Guard and Army Reserve have employed the enhanced enlistment and reenlistment incentives provided in the National Defense Authorization Acts for Fiscal Year 2004 and Fiscal Year 2005. They fielded additional recruiters and increased advertising funding. As a result, Army National Guard and Reserve recruiting is trending upward. Additionally, Army Reserve component recruiting efforts are again focusing on those personnel separating from Active service who have long been an important Reserve recruiting source. Accordingly, they are determining how to best use incentives that encourage those leaving Active service to join the Reserves, and also offering interservice transfers to help accessions.

The Navy Reserve is still experiencing both quantity and quality recruiting shortfalls. Part of the reason for the Navy Reserve shortfalls is the downsizing that the Navy Reserve has been undergoing. Once the significant programmed downsizing is over at the end of fiscal year 2006, healthier recruiting numbers are expected.

All Reserve components, with the exception of Navy, are achieving success in retention, with attrition (through December 2005) at or below our baseline year of 2000. Reserve attrition rates remain at historically low levels.

RESERVE COMPONENT ATTRITION

Component	Fiscal Year 2006 Target (Ceiling)	Fiscal Year 2000 YTD Dec. 1999	Fiscal Year 2005 YTD Dec. 2004	Fiscal Year 2006 YTD Dec. 2005
Army National Guard	19.5	5.44	5.33	4.17
Army Reserve	28.6	6.5	5.45	4.69
Navy Reserve	36	3.91	7.79	7.92
Marine Corps Reserve	30	7.15	4.58	5.11
Air National Guard	12	3.05	2.52	2.62
Air Force Reserve	18	5.73	3.48	3.33
DOD	NA	5.33	5.02	4.38

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 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, considering the continuing demand the global war on terrorism has placed on the Nation's Reserve components and the employers who share this precious manpower resource. The broad-based, nationwide support for our troops by employers continues to be superb.

Through its locally-based network of 3,500 volunteers and its full-time national staff, ESGR reaches out to both employers and servicemembers to help ensure the requirements of the Uniformed Services Employment and Reemployment Rights Act (USERRA), 38 U.S.C., (sections 4301–4334) are understood and applied. Servicemembers and employers may resolve USERRA conflicts by utilizing the free mediation and ombudsman services provided by ESGR. ESGR's aggressive outreach efforts have resulted in a 50-percent reduction in the number of ombudsman cases from 2004 to 2005. ESGR continually increases the percentage of cases resolved through informal mediation. Additionally, DOD and DOL have established a Memorandum of Understanding that enhances communication and information sharing and provides greater efficiencies of all available government resources for Reserve component members.

We established the Civilian Employment Information Database and now require Reserve component members to register their employers. ESGR has established a Customer Service Center Hotline to provide information, assistance, and to gather data on issues related to Reserve component service. Used together, these databases enable ESGR to develop personal relationships with employers, measure and manage employment issues, and advise the Department when developing policies and practices to mitigate the impact on employers when a reservist employee is called to military duty.

COMPENSATION AND MANAGEMENT

Compensation

Prosecuting the global war on terrorism requires top quality, highly skilled men and women whose compensation package must be competitive enough to recruit and retain them in voluntary service. Basic pay, housing and subsistence allowances, bo-

nuses, 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.

Since September 11, 2001, the DOD and Congress have worked together to increase military basic pay by approximately 25 percent. In addition to an overall pay raise of 2.2 percent, the fiscal year 2007 budget increases pay for warrant officers and higher ranking enlisted personnel. DOD intends to propose extending the pay table to encourage longer service. With these pay increases, the Department will reach the standard for pay that the 9th Quadrennial Review of Military Compensation established—that is, enlisted at the 70th percentile against the distribution of comparably educated civilians.

Members 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. The Basic Allowance for Housing increased almost 70 percent since 2000 as a direct result of the close cooperation between the Department and Congress. To ensure the allowance accurately reflects the current housing markets where servicemembers and their families reside, the Department will continue its efforts to improve our data collection. Additionally, we are grateful to Congress for the authority to increase the allowance or extend the Temporary Lodging Expense period for areas subject to major disasters or installations experiencing a sudden increase in troop levels.

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 Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) 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 and $250 per month in Family Separation Allowance. Additionally, these individuals qualify for Hardship Duty Pay (HDP)-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.

In recognition of deployments of 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 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 compensate appropriately members who are called on to extend their service in demanding assignments by increasing the cap to $3,000 and providing for lump sum payments. We also appreciate the increase in the ceiling for HDP, as it will allow us further flexibility with additional options to better address these pressing issues of frequent deployments as well as those that follow in quick succession.

Retention of Special Operations Forces (SOFs) presents another critical compensation challenge. The United States Special Operations Command force structure is projected to increase. Retention of current SOF members, in the face of ever demanding requirements and lucrative alternatives, is critical to the success of that growth. In 2004, the Department authorized a robust retention incentive package that includes extensive use of the Critical Skills Retention Bonus, Special Duty Assignment Pay, AIP, and the Accession Bonus for new Warrant 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 SOF retention and review initiatives to sustain these highly valued professionals.

We realize that no benefits can replace a human life; the lost presence of the family member is what survivors face. We are grateful to Congress for supporting the President's initiative to increase death benefits in the NDAA for Fiscal Year 2006, which acknowledges the principle that a servicemember be able to elect a benefits package that would provide up to $500,000 to the surviving family. 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.

Joint Officer Management

In 1986, title IV of the Goldwater-Nichols Act codified joint officer personnel policies, providing specific personnel management guidance on how to identify, educate, train, promote, and assign officers to joint duties. While the operational forces have

developed an exceptional capability to execute joint operations, the system used for Joint Officer Management has not kept pace. We recognize the need to modernize current joint management processes to enable a flexible joint qualified officer construct to meet both the challenges of today and the 21st century warfighting environment.

Joint Task Forces (JTFs) now define the way we array our Armed Forces for both war and operations other than war. The effectiveness of joint operations is no longer simply the interoperability of two or more military services; it requires the synergistic employment of forces from multiple services, agencies, and nations. Nongovernmental agencies and commercial enterprises must now be routinely combined with traditional military forces and interagency components to achieve national objectives. Such a dynamic and varied environment demands flexibility, responsiveness, and adaptability not only from the individual soldiers, sailors, airmen, and marines, but also from the programmatic infrastructure supporting joint force development.

The Department will deliver to Congress in the next few weeks the culmination of a multi-phase strategic review of joint officer management and joint officer development. This review examined the demand for joint officers in the 21st century environment and our ability to produce a supply to meet the demand. Also assessed was whether today's management structure is suitable to fit the supply-demand model. The findings from this review were incorporated in the recently completed Strategic Plan for Joint Officer Management and Joint Professional Military Education.

This strategic plan proposes an expansion of the existing joint officer management system in pursuit of a career-long development model. This model recognizes that joint experience can be gained in a myriad of locations and organizational constructs. Many of these constructs were not in existence when the Goldwater-Nichols Act was initiated. This model also takes into consideration that the level, or amount, of joint experience attained by an officer may be a function of currency, frequency, and intensity in addition to the standard measure of a specific period of time in a billet. This expansion can be executed with only minor increases in flexibility to the existing statutes. Flexibility which will recognize the realities of today's multi-national and interagency operating environment and the need to capture all joint experiences, not just those attained through traditional means. The end result of this proposed expansion will be a flexible and dynamic joint officer management system which will stay true to the stated and implied objectives and goals of the Goldwater-Nichols Act throughout the 21st century.

Transforming DOD Training

Secretary Rumsfeld reported to you, in his submission of the 2006 QDR, that although the military departments have established operationally proven processes and standards, it is clear that further advances in joint training and education are urgently needed to prepare for complex multinational and interagency operations in the future. The Department has made extraordinary progress in building a transformed joint training capability. Our ability to successfully defend our Nation's interests relies heavily upon the Department's Total Force—its Active and Reserve military components, its civil servants, and its contractors—for its war fighting capability and capacity. The Total Force must be trained and educated to adapt to different joint operating environments, develop new skills and rebalance its capabilities and people if it is to remain prepared for the new challenges of an uncertain future. Our forces must be capable of adapting to rapidly changing situations, ill-defined threats, and a growing need to operate across a broad spectrum of asymmetric missions, including stability and support operations and disaster response.

The Department's Training Transforming Program is focused on melding world-class individual Service competencies and training capabilities into a cohesive joint capability. We are developing three joint capabilities: Joint knowledge development and distribution capability (joint training and education for individuals), joint national training capability (joint unit and staff training), and joint assessment and enabling capability (assessments to answer the question: are we truly transforming training?).

The joint knowledge development and distribution capability (JKDDC) provides access to Service and DOD agency learning management systems, anywhere and anytime. Populated with 19 joint courses, the JKDDC Web site addresses prioritized combatant command needs and fills individual joint knowledge gaps and seams. Another success for JKDDC is its hosting of the "Combating Trafficking in Persons" course developed collaboratively with the Department of State and our Academic Advanced Distributed Learning Co-laboratory at the University of Wisconsin.

Joint National Training Capability (JNTC) is providing realistic distributed joint context to the Services' training sites and events as well as to the combatant commands. JNTC has already moved from discrete "throw-away after one use" events to a more persistent "stay-behind" capability. Service and combatant command training sites and training events are now being accredited and certified. We continue to decrease planning time for joint training and mission rehearsal exercises. We are distributing joint training over large distances to the right training audience for their specific mission needs. Jointness is moving from the strategic to the tactical level. All DOD operations in the global war on terrorism are joint. We are creating, a live, virtual, constructive (LVC) environment that supports efficient participation of joint forces in appropriate training across the country and around the world. When not utilized for joint training, this LVC environment is being used by the Services to improve their own training capability. We will, with your continued support, expand the persistence of JNTC to be more globally postured. JNTC will become a joint global training capability in the future.

Our joint assessment and enabling capability created a performance assessment architecture and used it as a start point for the conduct of a block assessment and balanced scorecard assessment. Our first block assessment serves as a baseline set of metrics to measure training transformation. Upon completion of these assessments and outcome measurements of training transformation missions and programs we will adapt and revise our strategic guidance and programmatics.

The training transformation interagency, intergovernmental, multinational mission essential tasks (TIM2) task force is a collaborative effort supported by my staff and is under the purview of the Office of the Under Secretary of Defense (Policy). TIM2 seeks to integrate DOD capabilities better in support of other Federal entities, including the Departments of State and Homeland Security.

Training Transformation has created a capability to tailor distributed training to deploying forces. In fact, our priority for joint training is to the deploying force. Exercise Unified Endeavor 06–1 this past fall prepared Army's 10th Mountain Division headquarters and staff for their upcoming rotation to Afghanistan to head Combined Joint Task Force 76. The exercise used actual lessons learned from Afghan operations. Real and simulated input and stimuli were used to feed real—world systems and decision cycles. Tailored realistic joint training tasked members of the training audience to conduct joint operations while coordinating air, ground and space forces with the ongoing ground campaign and all its related cultural exigencies. The leadership also had to work with the North Atlantic Treaty Organization (NATO), coalition, Afghan and non-governmental organizations during each phase of the operation. This could not have been done 3 years ago.

Sexual Assault Prevention

The Department's Sexual Assault Prevention and Response (SAPR) Program has made great progress during the past year. We introduced and implemented a comprehensive policy designed to effect a cultural change and serve as a benchmark for other large organizations. The Joint Task Force for Sexual Assault Prevention and Response (JTF–SAPR) published a DOD Directive. The JTF–SAPR has transitioned into a permanent office to lead the Department's long-term efforts.

The Directive and its forthcoming Instruction incorporate the 14 Directive Type Memorandums that the DOD released in 2005. These publications form the framework of a comprehensive response structure and protocol that ensures a consistent level of care and support worldwide for military victims of sexual assault. These documents implement a fundamental change in how the Department responds to sexual assault with a confidential reporting structure for victims of sexual assault. This removes a major barrier to reporting by enabling victims to receive medical care without necessarily initiating a criminal investigation. Although confidential reporting has been available only since June 14, 2005, early analysis indicates that the program is meeting our objective of increasing victim access to care and support.

The Department has mandated an aggressive training and education program that ensures training is conducted throughout every servicemember's career at both the unit level and at all professional military education programs. The military services have implemented ambitious training programs to meet this requirement and to provide trained sexual assault response coordinators at all major installations. Additionally all major commands in the Army have received baseline SAPR training as well as 1,850 deployable uniformed victim advocates. The Navy has successfully integrated SAPR baseline training into all Navy military training, resulting in 365,900 trained sailors. In addition to its sexual assault response coordinator training, the Marine Corps has trained over 700 unit victim advocates and has targeted leadership instruction at both the junior and advanced level. As part of its

training program, the Air Force produced a highly acclaimed video which facilitated the training of over 356,000 airmen.

This aggressive training and outreach program along with confidential reporting will predictably result in an increase in the overall number of reported sexual assaults in DOD. Future data will assist the Department in evaluating how the new sexual assault policy and our training efforts are affecting the incidence of this crime. Trend data on reported cases will be augmented with surveys such as the Reserve component survey which now provides a baseline to measure progress in the Reserve component.

The Department's next steps will focus on continued guidance to the Services and oversight of their implementation of the SAPR program. We will continue our comprehensive survey schedule in 2006, including the Service academies[1], and the fourth quadrennial survey of Active-Duty members. Additionally, we will use the Defense Task Force on Sexual Assault in the military services as another source to evaluate the effectiveness of the SAPR program.

READINESS

Readiness Assessment and Reporting

To meet its challenges, the Department needs visibility into the current status and capabilities of forces across the Department. Over the past year we have increased the capabilities of our new Defense Readiness Reporting System (DRRS). DRRS contains near real time assessments of military capabilities in terms of the tasks or missions that units and organizations are currently able to perform. These assessments are informed by the availability of specific personnel and equipment. Our partnerships with United States Northern Command (NORTHCOM), United States Joint Forces Command, United States Pacific Command, and United States Strategic Command have produced working, scalable versions of measurement, assessment and force management tools over the past year. We continue to add more data describing the structure, status, and location of military forces. Of special interest this year is the registry of title 32 capabilities in support of the homeland defense/security mission under NORTHCOM. Development of DRRS will continue through 2007.

Expanding Our Foreign Language and Regional Expertise Capabilities

To win the long war the Department must embrace and institutionalize foreign language and regional expertise into DOD doctrine, planning, contingencies, organizational structure, and training, as the QDR directs. Last year the Defense Language Transformation Roadmap provided three broad goals that will ensure a strong foundation in language and cultural expertise, a capacity to surge, and a cadre of language professionals. This year our focus and goal is to take deliberate steps and actions to transform our force. One key goal is to establish policies, practices and funding that will ensure a base of officers possessing language ability in key languages such as Arabic, Chinese, Persian Farsi, and Urdu. We have been successful in establishing policies that will create language as a core capability and obtained necessary funding through the QDR to effect this needed change.

We have begun the process to imbed language and regional expertise as a core military skill. The Chairman of the Joint Chiefs of Staff has published an instruction that will drive a more accurate documentation of language capabilities needed, which is essential to effective planning, commanders and planners will identify and analyze the key language skills and performance capabilities they will need to be successful in all operations.

The need for language and regional expertise has long been a core requirement for Special Forces Command, but as the type of conflicts and wars in which we engage change, and irregular operations and counterinsurgency and stability operations increase, language and regional expertise and cultural awareness become key skills needed by every soldier, marine, sailor, and airman for this century's global and ever-changing mission.

Through guidance in the roadmap, we have completed self-reported screening of 83 percent of our military personnel. Over 17,000 of our members reported language skills in Arabic, Chinese, Farsi, Urdu, Hindi and Korean. We have provided for increased proficiency by adding 785 training billets for crypto-language analysts in the Army, Navy, and the Air Force and increasing funding for Defense Language Institute Foreign Language Center (DLIFLC) to change the graduation standard to higher proficiency levels. We have developed 26 on-line language survival courses and

[1] We believe it would be more effective to conduct the Academy Survey biennually, and is considering a change in the statute to permit this.

provided over 183,000 language survival kits for deploying units. Our prestigious DLIFLC has scheduled 23 languages classes for fiscal year 2006 for over 3,000 new students. Special Operations Command will teach over 1,300 students in 10 different languages focused on the long war.

The QDR provided $429.7 million through the Future Years Defense Program for nine initiatives that include technology, training and education, and recruitment. The QDR targets officer candidates for foreign language training, with regional and cultural training to be embedded in follow-on professional military education. It funds the enhancement of the three Service Academies language training of cadets and midshipmen in the strategic languages; grants to colleges and universities with Reserve Officers Training Corps (ROTC) programs to incentivize teaching of languages of strategic interest to the Department; increased grants to expand the National Security Education Program, which provides civilians scholarships and fellowships to undergraduate and graduate students in critical languages to national security; and expansion and continuation of the Army's successful 09L Translator Aide heritage language recruiting program. The QDR also directed funding for the development of a pilot Civilian Linguist Reserve Corps; increased foreign language proficiency pay based on language in the NDAA for Fiscal Year 2005; technology enhancement at the DLIFLC; pre-deployment training for members prior to deployment; and centralized accession screening to identify personnel with language aptitude.

We are very proud is the Army's 09L Translator Aide program. This pilot program generated over 500 Arabic and Afghani speaking soldiers in the IRR to support OEF and OIF. Acclaimed by on-the-ground commanders, 09L is now the Army's newest Military Occupational Specialty (MOS). Establishment of the MOS allows soldiers to pursue full careers in the Army, making it more likely they will remain. The QDR provided $50 million to further expand this program.

We view Foreign Area Officers (FAO) as a key asset for the 21st century military—providing a unique combination of regional expertise, political knowledge, languages and military skills. That is why we are building a more robust FAO program that will form a professional cadre of military officers with the right skills to support our combatant commanders. We published a new "Military Department Foreign Area Officer Programs" Directive in April 2005 which provides common standards for the FAO program across the Services, focusing on accession, training, utilization, promotion and retention rates. Our current plan will create an additional 400 officers with languages and skills critical to the Department's mission.

At the national level, we have worked with other Federal agencies and were proud to be part of the team for the President's announcement of the National Security Language Initiative (NSLI). The initiatives have three broad goals which will expand the number of Americans mastering critical languages at a younger age, increase the number of advance-level speakers of foreign languages, and increase the number of foreign language teachers and their resources. We will support this initiative through the Civilian Linguist Reserve Corps, which will develop a cadre of civilian personnel with high levels of language proficiency in less commonly taught languages, available when needed by the Nation. We have also expanded the National Security Education Program by adding additional fellowships and languages which will produce 2,000 advanced speakers of Arabic, Chinese, Persian, Hindi, and central Asian languages by 2009. Additionally, in September 2005, through our National Security Education Program, we launched a pilot K–16 Chinese program with the University of Oregon. The program is a major grant to the University of Oregon and Portland Public Schools to become the National model for the study of Mandarin Chinese. The goal of the K–16 project is to develop a fully articulated program of instruction for students that progress from early learning through advanced proficiency levels in high school to superior levels in college. This is the first project of its kind in the U.S; the NSLI proposes to build on this model.

Secretary Rumsfeld's Mishap Reduction Initiative

The Department continues its pursuit of reducing mishaps and injuries. We have established a 75-percent reduction goal by the end of fiscal year 2008 from our fiscal year 2002 baseline. Our metrics focus on civilian and military injuries, aviation mishaps and the number one non-combat killer: private motor vehicle accidents.

The direct cost of these accidents and injuries is over $3 billion per year. We believe that the use of technologies to address these safety issues has a demonstrated cost benefit and increases operational readiness. Safety technologies include systems and processes. For example, we are pursuing the Military Flight Operations Quality Assurance process to reduce aircraft flight mishaps. We are exploring the use of data recorders and roll-over warning systems as tools to help drivers avoid wheeled vehicle accidents. Our plan is for all DOD components to include these and other

appropriate safety technologies as a standard requirement in all future acquisition programs.

Range Sustainment

Training transformation calls for significant advancements in the joint nature of training and a major change in the way we use our existing training infrastructure. Continued and assured access to high-quality test and training ranges and operating areas plays a critically important role in sustaining force readiness.

However, the DOD finds itself increasingly in competition with a broad range of interests for a diminishing supply of land, air and sea space and frequency spectrum that we use to test and train effectively. Exacerbating the encroachment challenge, the demands of the military mission are expanding. The increased complexity and integration of training opportunities necessary to satisfy joint mission requirements, combined with the increasing testing and training battlespace needs of new weapons systems and evolving tactics associated with force transformation, point to a military need for more, rather than less, range space. The confluence of these competing trends makes it clear that encroachment remains a powerful challenge to military readiness, and requires a comprehensive and continuing response.

Through the DOD Range Sustainment Integrated Product Team, the Department seeks to mitigate encroachment's impacts and to ensure the long-term sustainability of military readiness and the resources entrusted to our care. Congressional action on a number of DOD legislative provisions has provided increased mission flexibility, and at the same time has enabled improved environment management on our test and training ranges. The Department is increasingly looking beyond its fence lines to engage with local, State, regional, and national stakeholders in order to address concerns and build effective partnerships that advance range sustainment.

As we move forward, we are emphasizing cooperative approaches to sustainment, such as the acquisition of buffers from willing sellers around our ranges, conservation partnering, increased interagency coordination on cooperative Federal land use, improved sustainment policy and planning for overseas training with our allies, and more integrated development of information and decision making tools for range management. Such thrusts clearly build on our past efforts, and will emplace enabling capabilities, tools, and processes to support range sustainment goals well into the future.

THE DOD CIVILIAN FORCE

Human Capital Planning

Department of Defense civilian employees have joined our military forces and faced significant challenges this past year. They have supported the global war on terrorism here and on the front-line of battle, helped build democracies in Afghanistan and Iraq, and responded with alacrity and compassion to those affected by the tsunami, hurricanes, and earthquakes around the globe and here at home. Just as agile military forces are needed to meet a mission characterized by irregular, catastrophic and disruptive challenges, we need agile and decisive support from our DOD civilians. 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 great 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 (HCSP). Our 2006–2011 HCSP recognizes the need to refocus civilian force capabilities for the future—that is a civilian workforce with the attributes and capabilities to perform in an environment of uncertainty and surprise, execute with a wartime sense of urgency, create tailored solutions to multiple complex challenges, build partnerships, shape choices, and plan rapidly.

Our HCSP is based upon the 2006 QDR. The QDR calls for an updated integrated human capital strategy for the development of talent that is more consistent with 21st century demands. As a human capital strategy it aims to ensure DOD has the right people, doing the right jobs, at the right time and place, and at the best value. The HCSP is delineated by a DOD-wide set of human resources goals and objectives that focus on leadership and knowledge management, workforce capabilities, and a mission-focused, results-oriented, high-performing workforce. These goals and objectives incorporate a competency-based occupational system that reinforce a performance-based management system and provide enhanced opportunities for personal and professional growth.

The National Security Personnel System (NSPS) provides the framework for implementation. This modern, flexible, and agile human resource system enables con-

temporary responses to meet our national security mission requirements, while preserving employee protections and benefits, veterans' preference, as well as the enduring core values of the civil service.

The Department plans to begin implementing NSPS this spring. 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, or Spirals. The first phases of NSPS will cover over 11,000 DOD civilian employees. We anticipate that the labor relations portion of NSPS will likewise be implemented across the Department this spring, providing a collaborative, issue-based labor management relations system that is more responsive to our national security mission while respecting and preserving collective bargaining.

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's challenge will be attracting and sustaining the right talent—those who can perform in ambiguous, uncertain environments, create rapid solutions, perform with a wartime sense of urgency, develop integrated approaches, and lead multiple complex challenges with integrity and excellence. Technological advances, contract oversight, and complex missions have generated the need for more employees with advanced education and more sophisticated technical skills. 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.

Last year, the Department launched a campaign to reach out to the injured and disabled men and women who 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, their spouses, and managers. To date, 68 servicemembers have been offered positions, of whom 54 have accepted positions at various DOD and Federal agencies. We are continuing to work with other Federal agencies, such as, the DOL to provide job training, counseling, and reemployment services to seriously injured or wounded veterans.

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, including importantly 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 Servicemembers, 67 percent of whom are eligible to retire in 2008. Our HCSP calls for the identification and closing of leadership competency gaps and strengthening the pipeline to ensure continuity of diverse and capable leaders. In addition, the Department is updating its civilian human resources policies for the deployment of civilians in support of military operations to ensure that DOD civilian employees are able to contribute to the DOD mission.

The Defense Leadership and Management Program (DLAMP) is the premier DOD program to develop senior civilian leaders and a key component of the Department's succession management strategy. DLAMP is important to DOD readiness, providing a vehicle to mature a diverse cadre of civilian leaders throughout the Department, 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. With 350 participants who have met program goals to date and approximately 200 more each year projected to complete their development programs, DLAMP is providing a pipeline of well-qualified leaders ready for tomorrow's challenges. We are currently reviewing the DLAMP curriculum to ensure alignment with a DOD-wide competency-based leadership development model and best practices in private and public sector executive development.

The Department has established and fully implemented 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 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. To date the Pipeline program has returned 211 of employees to productive positions, and saved the Department approximately $171 million in cost avoidance charges.

Civilian Force Shaping

A number of initiatives are influencing the size and shape of the Department's civilian workforce. The most significant items are upcoming Base Realignment and Closure (BRAC) actions, global repositioning of deployed military and civilians, competitive sourcing, and military-to-civilian conversions. The DOD is committed to provide comprehensive transition tools and programs that take care of our employees and families when these changes occur. Since the first BRAC round in 1988, the Department has reduced the civilian workforce by more than 400,000, with less than 10 percent of that total separated involuntarily. To mitigate the impact of these force-shaping initiatives on our civilians, we have sought and obtained extensions to several of our transition tools assuring that any drawdown or reorganizations are handled strategically and to make sure we maintain and continue to recruit the talent needed to support the Department's mission.

Employees adversely affected by BRAC may be offered the opportunity to separate voluntarily under the Voluntary Early Retirement Authority and the Voluntary Separation Incentive Payment programs. Involuntarily separated employees are also eligible for a number of post-separation benefits and entitlements, to include temporary continuation of health insurance for 18 months with the Department paying the employer portion of the premium; severance pay, including a lump-sum payment option; and unemployment compensation.

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 continuing to establish and foster 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.

THE MILITARY HEALTH SYSTEM

Sustaining the Military Health Benefit

Department seeks to sustain this important benefit for the future by rebalancing its fees in a way that will control long-term costs. As Secretary Rumsfeld and General Pace have testified, it is critically important to place the health benefit program on a sound fiscal foundation for the long term. Costs have doubled in 5 years from $19 billion in fiscal year 2001 to $38 billion in fiscal year 2006, despite management actions to make the system more efficient. Our analysts project these costs will reach $64 billion by 2015, over 12 percent of the Department's projected budget (vs. 4.5 percent in 1990). One of the important factors contributing to this cost spiral is increased usage among retirees under 65, reflecting our failure to adjust cost-sharing since the TRICARE program began 11 years ago.

Our proposals to manage cost growth and sustain this valuable benefit encourage beneficiaries to elect medically appropriate, cost-effective health care options. Our proposals seek to re-norm contributions closer to those when TRICARE was established in 1995, while recognizing differences in the financial circumstances of officers and enlisted personnel.

Management

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 Military Health System (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 administra-

tive 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 Defense Health Program (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.

During fiscal year 2005, we successfully introduced the TRICARE Reserve Select program for Reserve component members and their families. We deployed the Extended Health Care Option (ECHO) which replaced the Program for Persons with Disabilities and recently revised policy allows survivors to remain eligible for TRICARE prime during a 3-year transitional survivor period.

AHLTA, an innovative electronic record system, is being implemented throughout the MHS. Information in AHLTA's one central data repository can be accessed anytime, anywhere. It represents one of the most comprehensive technology deployments ever undertaken by any health care system.

We have begun on the design and development of government requirements for TRICARE's third generation of contracts (T–3). The Managed Care Support Contracts are TRICARE's largest and most complex purchase care contracts. Others include the TRICARE Pharmacy Program, the TRICARE Dual Eligible Fiscal Intermediary Contract (TDEFIC), the Active-Duty Dental Contract, the National Quality Monitoring Contract, and the TRICARE Retiree Dental Contract.

Military medical facilities remain at the core of the MHS, and the TRICARE structure promotes increased involvement of the military commanders in determining the optimum approach to health care delivery within each region. Military commanders' accountability and responsibility for patient care in their communities is now centered on sound business planning and resourcing to meet their planned production.

We now have in place a new TRICARE Regional Governance structure. The three TRICARE Regional Directors 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.

Force Health Protection

Force Health Protection embraces 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 Department of Veterans' Affairs (VA).

Since January 2003, environmental health professionals have analyzed over 4000 theater air, water, and soil samples to ensure that forces are not unduly exposed to harmful substances during deployments. These samples were taken at 274 locations in Iraq, 28 locations in Afghanistan, and from other sites across the world. 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 base our programs on sound scientific information that independent experts have verified. Insect repellant impregnated uniforms and prophylactic medications also protect our servicemembers from endemic diseases during deployments.

Among the many performance measures tracked within the MHS is the medical readiness status of individual members, both Active and Reserve. The MHS tracks individual dental health, immunizations, required laboratory tests, deployment-lim-

iting conditions, service-specific health assessments, and availability of required individual medical equipment. 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.

Servicemembers receive pre-deployment health assessments to ensure they are fit to deploy 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 begun post-deployment health reassessments, which are conducted 3 to 6 months after deployment.

Mental health services are available for all servicemembers and 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 because of deployment. Combat stress control and mental health care are 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 educated and assessed for signs of mental health issues, including depression and Post Traumatic Stress Disorder (PTSD), and physical health issues. During the post-deployment reassessment we include additional education and assessment for signs of mental and physical health issues. The Services began initial implementation of this program in June 2005 and we are working toward Department-wide implementation. After returning home, help for any mental health issues that may arise, including depression and PTSD, is available through the MHS 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, the Military OneSource Program—a 24/7 referral and assistance service—is available by telephone and on the Internet.

Medical technology on the battlefield includes expanded implementation of the Theater Medical Information Program and Joint Medical Work Station in support of OIF. These capabilities provide a means for medical units to capture and disseminate electronically 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. With the expanded use of the Web-based Joint Patient Tracking Application, our medical providers should have total visibility into the continuum of care across the battlefield, and from theater to sustaining base. New medical devices introduced to OIF provide field medics with blood-clotting capability, while light, modular diagnostic equipment improves the mobility of our medical forces, and individual protective armor serves to prevent injuries and save lives.

Pandemic influenza represents a new threat to national security. With our global footprint and far-reaching capabilities, we are actively engaged in the Federal interagency effort to help prevent, detect and respond to the threat of avian influenza, domestically and internationally. The President's National Strategy for Pandemic Influenza includes the DOD as an integral component in our Nation's response to this threat.

DOD–VA 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 for improvement remain. Early in this administration we formed the DOD–VA Joint Executive Council, which meets quarterly to coordinate health and benefit actions of the two cabinet departments.

DOD and VA are electronically sharing health information to enhance the continuity of care for our Nation's veterans. Each month, DOD transfers electronic patient information on servicemembers who have recently separated. This data includes laboratory and radiology results, outpatient pharmacy data, allergy information, consult reports, discharge summaries, transfer information and patient demographic information. To date, we have transferred this electronic health information on more than 3.2 million separated servicemembers to a central data repository at the VA Austin Automation Center. Over 2 million of these separated servicemembers have presented to VA. We are in the process of developing solutions for transmitting key inpatient information and documentation to the VA. 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. Another important capability is the bidirectional real-time sharing of allergy information, outpatient prescription and demographic data, and laboratory and radiology results between DOD and VA for patients being treated by both DOD and VA. This capability is operational at seven sites, including the National Capital Area. Deployment to additional sites is planned in fiscal year 2006. The electronic health information from each DOD facility that implements this functionality is available to all VA facilities.

In addition, DOD is now sending electronic pre- and post-deployment health assessment information to VA. More than 515,000 pre- and post-deployment health assessments on over 266,000 individuals are available to VA. This number will continue to grow as assessments on newly separated servicemembers are sent each month. VA providers began accessing the data in December 2005. DOD plans to add post-deployment health reassessment information in fiscal year 2006.

In the past year, DOD and VA have developed and improved a number of joint planning efforts. For instance, the 2006 Joint Strategic Plan builds upon successes of the two previous plans. 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 Joint Incentive Fund (JIF) and Demonstration Site Projects required by sections 721 and 722 of the NDAA for Fiscal Year 2003, respectively. 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 benefit from continuity of care, DOD works with the VA's Office of Seamless Transition. In the past year, DOD and VA completed a Memorandum of Understanding to define protected health information data-sharing activities between DOD and VA. DOD is now transmitting rosters to VA's Office of Seamless Transition containing pertinent demographic and clinical information of all servicemembers who have been recommended for Medical and/or Physical Evaluation Boards. This enables VA to place its benefits counselors and social workers in touch with prospective veterans prior to separation to expedite the delivery of benefits.

DOD has worked closely with VA's Office of Seamless Transition to ensure that VA is a partner in a new program, the Post-Deployment Health Reassessment (PDHRA). The PDHRA is a force health protection process designed to enhance the deployment-related continuum of care. Targeted at 3 to 6 months post return for a contingency operation, the PDHRA provides education, screening and a global health assessment to identify and facilitate access to care for deployment-related physical and mental health as well as re-adjustment concerns.

In the coming year, the VA/DOD Joint Executive Council will continue to focus on further improving 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 OUR FAMILIES

The Department's Social Compact with troops and families declares that "families also serve." Today, our troops and families are rising to the current challenge and responding to unprecedented deployments in support of the global war on terrorism. We are committed to providing troops and families with the support and services necessary to balance the competing demands of military and personal life.

State Liaison Initiation

The Department has recognized the need to collaborate with State and local governments to effect positive change at the local level. Through interaction with governors and other State officials, DOD has prompted action on 10 key quality-of-life issues. With DOD assistance, the National Governors Association (NGA) developed a survey of state actions to support Guard and Reserve members and families, which showed the 50 States are providing over 600 benefits in education, family support, licensure and certification, tax breaks, and State employment benefits. In April 2005, the NGA co-hosted a working conference attended by senior gubernatorial policy advisors from 18 States with large military populations to discuss best practices relative to the 10 key issues.

Communication

We have instituted an integrated communication strategy to ensure troops and families have access to reliable information and support services 24 hours per day/ 7 days a week. Our communications system is comprised of a variety of Web sites, linked together by a portal, to provide information and to connect with troops and families, particularly those outside the gate, and Guard and Reserve components. In fiscal year 2005, total contacts with troops and families averaged 3.8 million per month. During the first 3 months of fiscal year 2006, contacts have increased to over 8 million per month.

The cornerstone of our communications with troops and families is Military OneSource. Each military service has its own OneSource identity: Marine Corps Community Services OneSource, Army OneSource, Navy OneSource and Air Force OneSource. This toll-free information service is available 24 hours a day, 365 days a year, from anyplace in the world. Military OneSource has quickly become the trusted source of information and assistance for our troops and families.

This very high performance capability provides families with immediate access to professionals trained to listen and assess any number of situations for the best solution. The telephones are staffed by Master's level professionals, and questions can be answered in over 120 languages. Case managers can refer troops and families to licensed counselors if they wish to receive personal assistance. The areas that receive the most inquiries are deployment-related issues, parenting, child care, and finances. Military OneSource professionals can also be accessed via the Internet with researched, tailored answers to each question. In January 2006, Military OneSource incorporated Turbo Tax into its arsenal of resources, and to date, nearly 150,000 servicemembers (including Guard and Reserve members) have filed their 2005 taxes online with Turbo Tax at no-cost to them. Troops can even file while overseas in Iraq, Afghanistan, or anywhere their military duties take them.

Research has shown that use of the Internet/Web sites is the number one way troops prefer to get information for themselves and their families. The sources of information expand so frequently that DOD needed to launch a quality of life Web portal—www.MilitaryHomefront.mil, to consolidate all military Web sites and act as a directory of all quality of life information. MilitaryHomefront has been in operation less than a year and has already reached 2 million hits a month.

Another component of communication is telephone service for personnel in OEF and OIF. U.S. CENTCOM provides two phone services that enable servicemembers to call anywhere in the world—health, morale, and welfare calls using official phone lines and unofficial telecommunications provided by the Armed Services Exchanges. There are an average of 27,000 health, morale, and welfare calls made each day. The November 2005 unofficial call volume was nearly 16.4 million minutes. Servicemembers also have free access to the non-secure military Internet by using their military e-mail address and free Internet access through 32 morale, welfare, and recreation (MWR) operated fixed site Internet cafes and 146 military unit operated mobile Internet cafes in Iraq.

Expediting Citizenship

On behalf of the non-citizens on Active-Duty, the Department continues to work closely with the Department of Homeland Security's (DHS) Citizenship and Immigration Service to expedite citizenship applications for non-U.S. citizen members of the Armed Forces. Over 27,000 military members have been granted U.S. citizenship through an expedited process since September 2001. We are working with the DHS and the Federal Bureau of Investigation (FBI) to streamline the military member citizenship application process by accessing fingerprints provided at the time of enlistment versus requiring fingerprints to be retaken for a citizenship application. The Department has also worked closely with the Citizenship and Immigration Service to accomplish naturalization processing for military personnel overseas. Over 1,500 military members have been naturalized at overseas ceremonies conducted since October 1, 2004; most recently, 249 military members were naturalized in Iraq and Kuwait in December 2005.

Child Care

The DOD continues to be the model for the Nation on employer supported child care. A report issued in 2005 on non-monetary benefits shows child care to be one of the most important benefits we provide to our servicemembers and families. The Senior Enlisted Advisors testified last year that child care is the number one quality-of-life issue. Child care also supports spouse employment as part of a family's financial readiness. Currently, DOD provides 184,000 spaces—but needs 30,000 more. We appreciate the support from Congress in the fiscal year 2006 appropria-

tion for child care, and will apply the increase to child care for deployed high personnel tempo installations.

The Department initiated an emergency intervention strategy, funded with emergency supplemental funding, to address the most pressing child care needs at locations affected by significant deployments. Many locations had high post-deployment birth rates, causing a greater need for infant care. To increase child care spaces, the Department dedicated over $90 million toward the purchase of modular facilities and renovations and expansion of current facilities. The intervention will create 4,077 child care spaces in 35 high personnel tempo locations. The Army will build 17 centers and the Navy and Marine Corps will each build 2 centers. The Air Force will add or renovate space at 24 locations.

Further, in fiscal year 2005 the Department used $9 million to subsidize child care on a temporary basis for deployed Active-Duty and activated Guard and Reserve families who do not have access to on-base care. Funding provided extended hours care, subsidies for family child care providers, Reserve component weekend drill care, and family support group meetings. Since fiscal year 2003, over 10 million hours of subsidized child care has been provided to support families affected by the global war on terrorism.

Casualty Assistance

The Department's longstanding practice is to recover, identify, and return deceased servicemembers to their families as expeditiously and respectfully as possible. When a military member dies, our first concern is to inform the next-of-kin in a manner that is accurate, timely, and deeply respectful. Casualty assistance is provided until family members indicate assistance is no longer needed. Our military personnel assigned to casualty assistance or notification responsibilities receive appropriate training, and when possible a servicemember who has prior assistance experience assists first-time casualty assistance officers.

The Department's casualty program is constantly reviewed and revised as needed to ensure the most accurate reporting systems are utilized and the most compassionate and dignified notification and assistance procedures are provided to the survivors of servicemembers. Today's complex family structures demanded that we establish a new procedure that requires all servicemembers to identify the person authorized to direct disposition of their remains should they be killed. During the casualty assistance process, family members provide instructions for their loved one's remains; every possible action is taken to satisfy the requests and directions of the family. The remains of the fallen are handled in the most appropriate and respectful manner possible at each point of the final journey home.

We have established partnerships with non-governmental organizations to draw on their expertise in responding to the needs of survivors. This ensures our policies are responsive and are addressing the needs of our families. The expedited claims process initiated in partnership with the VA and the Social Security Administration continues to enhance the delivery of critically needed financial assistance and service to our families.

Military Severely Injured Center

In February 2005, DOD established the Military Severely Injured (MSI) Center, a 24/7 call center to assist OEF and OIF severely injured and their families as they transition through their recovery, rehabilitation, and reintegration either back into the military or into the civilian communities. The Center augments the efforts of severely injured programs of the individual Services (Army Wounded Warrior Program, Marine-For-Life Injured Support, Air Force Palace HART, and Navy SAFE HARBOR) in serving these men and women who have sacrificed so much. The MSI Center team of military personnel and contractors, to include counselor advocates at hospitals with large numbers of the severely injured, has made more than 11,000 contacts with severely injured servicemembers, their families and support resources. Assistance provided encompasses advocacy for rehabilitation, education and training, job placement, accommodations, coordination of air travel, personal and family counseling, and financial resources.

To assist in this effort, the MSI Center has as part of its full-time staff representatives from three Federal agencies: DOL, the VA, and the DHS's Transportation Security Administration (TSA). With these key partnerships, the Center can facilitate resolution of the issues important to the severely injured: Labor assists in finding employment for the severely injured and in some cases, the spouses and parents; the VA helps with health and benefits related issues; and TSA helps troops travel through security checkpoints at airports. The Department is also committed to linking severely injured members and their families with local, State, and national level groups to ensure that their continuing needs are provided for.

We thank Congress for its support for the administration's Traumatic Servicemember's Group Life Insurance (TSGLI) legislation which is now providing our severely injured from OIF and OEF with lump sum payments ranging from $25,000 to $100,000, depending on the injuries sustained. While no amount of money will ever compensate for a loss, the TSGLI payments are certainly appreciated by the members and their families, and are assisting with the challenges they face as they progress through recovery, rehabilitation, and long-term reintegration.

Transition Assistance Program

In partnership with the DOL and the VA, our transition assistance program helps separating, retiring, and deactivating servicemembers and their families, from both Active and Reserve components, make smooth and successful transitions to civilian life. Upon separation or demobilization, servicemembers are provided information on employment, relocation, education and training, health and life insurance, finances and other veterans' benefits. We established an Interagency Working Group to focus on the improvement of transition assistance. To respond to the needs of the Guard and Reserve members, DOD is working to retool the Transition Assistance Program (TAP) and bring it into the 21st century. The vision, entitled "Just in Time Transition Assistance," is to make TAP a Web-based accessible program, available whenever the member may need it.

The DOL, in collaboration with DOD, recently launched a new "Key to Career Success Campaign" focused on career guidance, job search, skills training, child care, and transportation services available at the local DOL One-Stop Career Centers. Additionally, the VA and the National Guard Bureau signed a Memorandum of Understanding to locate additional opportunities to provide veterans benefits information to members of the Guard and other military personnel.

Voluntary Education

We are proud to continue our commitment to our Voluntary Education Program, the largest continuing education program in the world—each year over 420,000 servicemembers enroll in postsecondary education. In fiscal year 2003, we began uniformly funding 100 percent tuition assistance across the Services, up to $250 per semester hour of credit and $4,500 per year. This past year 789,000 enrollments were funded and well over 35,000 diplomas and degrees were completed. In the coming year, we plan to place even more emphasis on our voluntary education benefits, including working with major book distributors to reduce expenditures of the cost of books and providing personal, one-on-one education counseling for our severely injured personnel.

Financial Readiness

Equipping servicemembers with the tools and resources they need to make sound financial decisions is integral to both military readiness and the strength and stability of our servicemembers and their families. The Department has partnered with over 26 Federal agencies and nonprofit organizations to increase awareness and education of servicemembers and their families. For example, the InCharge Institute, in collaboration with the National Military Family Association, distributes 250,000 copies of Military Money Magazine quarterly to military spouses through commissaries and direct distribution. The Financial Literacy and Education Commission "mymoney.gov" Web site has linked the resources of 20 Federal agencies to DOD and Service quality-of-life Web sites. Additionally, the National Association of Securities Dealers has developed a $6.8 million multi-year personal finance education program focused on training troops and families on the importance of saving money.

However, unscrupulous insurance and financial product solicitors continue to prey on our troops. Over the past 18 months we have included predatory lending, in particular payday lending, as one of our key issues which we have addressed with governors and state legislators to make them aware of the impact of their statutes on the quality-of-life of servicemembers and their families. We are collaborating with consumer advocate organizations who have pledged their assistance, some of whom have agreed to assist installations in defining the prevalence of predatory lending activities. We appreciate the support of Congress in providing additional protections to servicemembers and their families with regards to the sale of insurance and certain investment products.

Spousal Careers and Education

The majority of military spouses continue to work outside of the home in order to stay current in their career of choice and supplement the family income. The Department is committed to helping military spouses pursue rewarding careers and to remove barriers to career advancement. Significant progress has occurred in the last

2 years. Employers have been made aware of the value of hiring military spouses and we have greatly increased our efforts at the State level where licensing and certification requirements differ from State to State. We have identified a range of popular spouse careers that have state-specific licensing requirements and have designed strategies to address them, initially focusing on teaching and real-estate. To offer more scholarships, grants, and reduced tuition for servicemembers' spouses, we are working closely with colleges and universities.

In order to raise employer awareness, we partnered with military.com, a division of Monster, Inc. to create a military spouse career network Web site portal: www.military.com/spouse. At this site, spouses can post their resumes, search both private sector and Federal jobs (USAJOBS) simultaneously and they can search them by using installation names. Over 60 spouse-friendly employers are actively recruiting military spouses for their vacant positions; these organizations can post jobs at no cost and may search this exclusive database for military spouse candidates. In the 9 months since this site was launched, over 800,000 spouses have visited the site; over 500,00 have signed up for the newsletter, over 400,000 have visited the chat rooms and over 1.5 million job searches have been conducted. In recent months, DOD has co-sponsored specialty career fairs that focus employers on severely injured servicemembers and military spouses.

To assist military spouses to find employment and careers the Department's partnership with the DOL was expanded to include a Web site (www.milspouse.org). This site assists spouses with resume development, locating careers and identifying available training. During this past year, the DOL was able to include military spouses under the definition of dislocated workers. This increases the benefits, such as training, available to them and also ensures they get assistance in finding new employment.

Military Children's Education

The Department recognizes that quality education for their children 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).

Our DOD schools have high expectations for the 91,300 students enrolled in our 220 schools located in 13 countries, 7 States, and 2 territories. The worldwide Department of Defense Schools system serves as a model education system for the Nation and is critical to the quality-of-life for servicemembers and families. DOD students are among the highest performing in the Nation as measured by norm-reference assessments like the TerraNova and the National Assessment of Education Progress. DOD schools are also leading the Nation in closing the achievement gap between white and non-white students.

Our schools work aggressively to resolve transition issues as more than 30 percent of the student body transitions each year. The Department recently entered into a formal memorandum of understanding to promote cooperative efforts between the DOD and the U.S. Department of Education to address the quality of education and the unique challenges of children of military families who move from one education system to another. We are working 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 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, Web site information and program development for students of deployed families, their parents and teachers. All publications are on a special Web site 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.

Youth and Family Support

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 development 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. Boys and 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 the 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.

For the youngest children of parents deployed, our "Read to the Kids" program was developed in partnership with the Army Library program and the Army Arts and Crafts program manager. The project films individual soldiers reading a children's book to their children while deployed or during pre-deployment. The books used in the program will be available in the base libraries for the child to take home and read along with the deployed parent.

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. Thanks to the National Guard Bureau, over 400 family assistance centers provide outreach to Guard and Reserve families who are not located near an installation. Unit Family Readiness Groups, staffed by volunteers, actively maintain communication with families in outlying areas through newsletters, Web sites, and direct communication to enhance unit-to-family communication

Young families, although resourceful and resilient, occasionally need guidance and support to help them over life's rough spots. The Department's non-medical counseling program helps these families by providing civilian counselors in the military family's community, at no cost to troops or families. The goal of this program is to deliver short-term assistance on everyday issues and problems, such as raising children when the member is deployed, managing finances, and preparing for deployment and reunion. Counseling is offered in a variety of settings to individuals, families and couples, and groups. Using civilian counselors is an important aspect of this program, because research has shown that military members and their families prefer the privacy thus provided.

Domestic Violence

We have strengthened our response to domestic violence. We have adopted a restricted reporting policy for incidents of domestic abuse—this new policy offers the option of confidentiality to victims. In the military community, a victim is usually concerned that reporting will have immediate repercussions on the military career of the family-member offender, and thus affect the family's financial welfare. Our new system affords victims access to medical and victim advocacy services without immediate command or law enforcement involvement and encourages victims to feel more comfortable and safe about reporting domestic abuse.

I am pleased to report that we have initiated implementation of 121 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, we conducted eight domestic violence training conferences, five of which were offered to joint gatherings of commanding officers, Judge Advocates, and law enforcement personnel. These conferences addressed each groups' responsibilities in responding to domestic violence in accordance with new domestic violence policies issued by the Department.

In partnership with the Office on Violence Against Women of the Department of Justice, we have continued several joint initiatives, including training for law enforcement professionals, victim advocates, chaplains, and fatality review team members. Additionally, we are conducting domestic violence coordinated community response 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.

In partnership with the National Domestic Violence Hotline, we developed and launched a public awareness campaign to increase awareness of the Hotline as a resource for victims and their families. Finally, a central victim advocacy program provides access to on-call victim advocates and shelters to assist victims of domestic violence.

Exchanges and Commissaries

All three of the exchange systems are modernizing their policies and practices. Force repositioning, BRAC, and the global war on terrorism, with its attendant increased costs to provide the exchange benefit, will continue to challenge exchange profitability. We are currently reviewing options to save on costs through consolidation of backroom functions. The DOD Executive Resale Board is providing oversight of exchange operations and revenues.

To directly support troops in the OIF and OEF theaters, there are 40 Tactical Field Exchanges, 60 exchange supported/unit run field exchanges, and an average of 15 ships' stores 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 missions requirements. Commissaries now have 'gift' food packs that can be forwarded to troops.

The Department's commissary is a critical quality-of-life component for members of the Active-Duty and Reserve Forces and their families. The Department's strategy remains to sustain the value of the commissary benefit without increasing—indeed, preferably reducing—its cost. The Defense Commissary Agency's (DeCA) re-engineering efforts are aimed at reducing overhead by centralizing support and streamlining store operations. Although in the early states of re-engineering, DeCA has demonstrated success. DeCA's strong stewardship of taxpayer dollars has also been demonstrated by the fourth consecutive unqualified audit opinion of its financial records. DeCA's sales remain strong with solid growth over the last 2 years. This demonstrated vote of confidence by military families is confirmed by both the internal and external customer satisfaction scores awarded to DeCA.

Morale, Welfare, and Recreation

MWR programs support the servicemembers and families at the homestation and while the servicemembers are deployed. Fitness centers consistently rank as the most popular MWR program and improving fitness programs, to include upgrading and modernizing fitness facilities, is a high priority within the Department. The military services operate 478 fitness centers worldwide.

Computers and Internet service at home station libraries, youth centers, and Internet cafes provide for access to world events and ensure families can send and receive e-mails to and from their loved ones who are deployed. Additional recreational and social activities include sports, motion pictures, continuing education support, board games, large screen televisions, DVD/CD players, video games and game CDs. MWR programs are designed to support all phases of deployment; the Army's "Battlemind" program is noteworthy for engaging personnel in high adventure activities to address the high adrenalin of the returning warriors.

MWR libraries are very important component in the education and advancement of today's servicemembers. Paperback book kits are an essential part of MWR during combat situations. On ships, Library Multimedia Resource Centers provide a much needed communication vehicle for those back home. This support in the areas of operation provides a means of mental escape from the rigors of being deployed in a hostile environment.

The Department has a responsibility to provide morale enhancing entertainment for troops and families assigned overseas. Nowhere is this support more important than in the austere locations where servicemembers are performing duty in support of the global war on terrorism. Armed Forces Entertainment (AFE), in cooperation with the United Service Organization, continues to provide much welcomed entertainment to our forces, both overseas and on military installation in the United States. In 2005, AFE provided 136 tours with 1,268 shows at 370 sites overseas. From 2002 through 2005, the Robert and Nina Rosenthal Foundation has worked closely with the Country Music industry to provide 62 celebrity entertainment shows at military installations at no cost to military personnel and their families. The Spirit of America Tour provides a brief reprieve from the stresses of deployments. Performers have given generously of their time and talents.

BRAC and Rebasing

Our most recent challenge is to ensure quality-of-life support is realigned to coincide with the movement of troops and families during BRAC and rebasing. Once BRAC/rebasing decisions were announced, commanders began working with local communities to lay out timelines. We are taking a proactive approach to ensure quality-of-life for our troops and families is being planned as they move to new communities. Twenty-five installations are gaining more than 500 Active-Duty members

in 16 States. We estimate BRAC and rebasing will affect more than 77,000 Active-Duty members, more than 40,000 military spouses and over 78,000 minor children. Currently, two thirds of families live outside the gates and service policies are allowing E–4 and above more choice to live off base. Our plan is to partner with community based service agencies to serve large numbers of our military servicemembers and their families. Community partnerships will need to be increased to deliver support such as child care, fitness opportunities, youth services, and other family services.

CONCLUSION

Mr. Chairman, 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.

We established our survey program to listen to our military and civilian personnel. We believe they are telling us that we have a stable, satisfied, and committed Total Force.

Four-fifths of Active-Duty members believe they are personally prepared, and two-thirds believe their unit is prepared, for their wartime jobs. These views have held steady from the start of OIF (March 2003) through the latest survey (December 2005). The top concerns of those currently deployed are problems their spouses are facing back home, the ability to communicate with their families, and the possibility of experiencing emotional issues as a result of deployment. Today I have reviewed many of the programs that address these specific issues, and we are fielding special surveys to spouses so we can fully understand the impact of deployments on the family.

In April 2004, 14 percent of our servicemembers indicated they were having problems "making ends meet" or "being in over their head," while only 9 percent indicated this in a March 2005 survey. Overall, more than three-fifths of members reported being financially comfortable in March 2005, up 10 percentage points from results in the previous year.

Reserve retention intentions are currently at 67 percent—up three percentage points between June and December 2005. We also have seen increased perceptions of personal and unit readiness, and a reduction in reports of stress. Through the survey program, we have identified the factors affecting reservists' continuation decisions—and pay and allowances top that list. With your help, we have taken actions to improve Reserve pay incentives and medical and dental benefits. Seventy percent of members indicated TRICARE medical and dental coverage was better or comparable to their civilian plans—food for thought as we consider how to sustain the military health program. The June 2005 survey results show that approximately two-thirds of members say they have not been away longer than expected. In addition, over three-fourths of members indicate their Reserve duty has been what they expected—or better than they expected—when first entering the Reserves.

Although we have challenges ahead managing our civilian workforce—assimilating them into jobs previously performed by the military, implementing a new personnel system, and managing the exodus of retiring personnel—the outlook is very encouraging. Since we began surveying civilians in the fall of 2003, we have learned that large majorities are satisfied, and their satisfaction levels on a number of indicators are rising. Two-thirds are satisfied with their overall quality-of-work life, the quality of their co-workers and supervisors. Ninety percent consistently report they are prepared to perform their duties in support of their organization's mission, and over half are satisfied with management and leadership.

In conclusion, we continue to have a dynamic, energetic, adaptable All-Volunteer Total Force. The force is increasingly joint and, increasingly ready for new challenges. I look forward to working with you this year to provide the means by which we can sustain this success.

Senator GRAHAM. Thank you very much.

Let's just go to the theme of military compensation. Do you think that there is a pay gap between military salaries for enlisted personnel and the private sector? Is the 2.2 percent raise sufficient, in your view, to bridge the gap or maintain parity?

Secretary CHU. The short answer is, no, we do not think there is a gap, in the sense that perhaps some might mean it. Our standard is actually a little bit different. We have to be competitive. We have to be successful in attracting the talent we need, and retaining that talent over time.

Against that standard, we do believe that the 2.2 percent proposed increase is appropriate. But we also believe that we need somewhat more for the NCO corps, and that, with that additional increase, we think we'll be in the right competitive position.

We intend to propose an extension of the pay table, as well, to 40 years of service. We need to encourage some people to stay longer, and we need to recognize that longer service with some degree of additional pay increase. We look forward to transmitting that to you for your consideration at the earliest possible date.

Senator GRAHAM. I think that's a very clever thing to do now, to adopt some private sector programs, in terms of giving pay raises to particular specialties. How does that work? How is that being received by the troops in the field?

Secretary CHU. I would defer to my colleagues. I think it has been very important in achieving the high degree of retention in the career force that we have enjoyed the last several years. I think it also has an extraordinary effect on morale. It signals, particularly to the NCO force, that we recognize their contribution to the outcomes that our military forces are enjoying.

General Hagenbeck, do you want to say a word?

General HAGENBECK. Yes sir, I would echo that.

Senator GRAHAM. Give me an example of how it would work.

General HAGENBECK. Sir, it would be keeping them beyond their eligible retirement date. Our retention has exceeded all expectations for the last 6 years, and we're on a glide path now to exceed even last year's, which saw historic highs. So, we're going after 64,200. We have over 31,000 on Active-Duty that have already reenlisted this fiscal year. That's been a function, of course, of both the incentives and the bonuses that have been available to them. What they always have to weigh is what their base pay is, which is applied against the retirement compensation. That would be an additional incentive to keep those combat-experienced and veteran NCOs in our force.

Senator GRAHAM. Do you think the stop-loss utilization is going to go down?

General HAGENBECK. Sir, I could address that. It will always wax and wane. It's really a function of team building. We have about 15,000 across the force now that are deployed on stop-loss. About 8,000 or so, on average, of Active-Duty. The delta is with our Reserve and Guard. So, as our footprint shrinks, as it is now in Iraq with the National Guard, for instance, the numbers in stop-loss will go down. But in out years, if there's continued mobilization, it will tend to go back and forth.

Senator GRAHAM. Is there any period in service where we're having a harder time retaining people, like the 10-year mark or the 8-year mark?

General HAGENBECK. It's always a challenge. We've been doing very well. When we talk about the first-termers, mid-career, and then career soldiers, the mid-grades are the ones that we always have to take a close look at. Certainly in our Reserves, we're paying a lot of attention to that.

Secretary CHU. That is one of the reasons, Mr. Chairman, that we are seeking this additional increase for the NCO corps, to give them that added motivation to stay with us.

Senator GRAHAM. On the recruiting front, how is that going?

Secretary CHU. I think we should all be pleased at the efforts that have been made, and the success enjoyed, on the recruiting front. The Army had troubles toward the middle of fiscal year 2005, and, as a result, did not makes its Active-Duty nor its National Guard or Reserve recruiting targets. I'm pleased that, in the first months of the current fiscal year, all Services on the Active front have made their recruiting targets. The Army Guard is also making its recruiting targets.

Senator GRAHAM. What would you say contributes to the change?

Secretary CHU. I think there are three elements out there, sir.

First, all Services, particularly the Army and the Army Guard, have put a lot more energy into the recruiting, and have put more recruiters out there. That's crucial. This is an All-Recruited Force, my colleagues are right about that point.

Second, the large set of incentives that this committee has given the Department has been very important. Those tools are out there. They were given to us in a series of actions over the last 2 years. They are being employed. They are working. They are very helpful.

Third, I think the leadership of everyone in pointing to military service as an excellent choice for young people is crucial to reinforcing what we see from our polls that it is their natural inclination to consider military service. We need to continue to emphasize the value of that service, and that we, as older adults, see it as valuable, and that they're making a good choice.

Senator GRAHAM. I have one last remark, and then we'll let Senator Nelson make his opening statement and ask questions.

The number of people getting off Active-Duty going into the Guard and Reserve had a dramatic drop. Has that turned around at all? How is minority recruiting going?

General HAGENBECK. Sir, with regard to Active-Duty going to the Guard and Reserves, with some of the incentives that Congress has provided, we think that's turned around. It's not to the level that we would like right now. The other side of that equation is that we're encouraging them to stay on Active-Duty, as well. There's a dynamic there that sometimes works against each other. But we're seeing more of that right now. We're keeping an eye on it.

Senator GRAHAM. Senator Nelson?

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Thank you, Mr. Chairman. I apologize for being delayed this morning.

I want to, first, Mr. Chairman, thank you for setting this hearing today. It's a privilege to serve with you. You've always graciously included me in the decisions of the subcommittee, and we've worked together, and will continue to do so, to significantly improve the quality-of-life for our servicemembers and their families.

I also want to thank the witnesses for being here today, but, more importantly, for what you do to improve and continue to help develop additional efforts to improve recruitment, retention, and to develop what's necessary to maintain and manage our forces. I believe we are going to continue to have an All-Volunteer Force, and we should. It's being tested for a prolonged engagement at the

present time, and I think we can all conclude that, overall, it's working well. Obviously, we have some challenges that are before us. The stress that is felt by the force is affecting reenlistment. In some cases, reenlistment figures are at record highs, in spite of the high operational tempo. We hope that will continue.

Our National Guard and Reserve Forces have responded magnificently on every occasion, demonstrating the quality of our Total Force. Of course, now is the time to assess our personnel policies and authorities to ensure that we have the right programs in place to recruit and retain. That's why it's important to have you here today, to help us understand whether or not that's the case. It's too easy, in an office, to sit down and decide what kinds of incentives we ought to have. It's very different to test them out and find out whether or not they work. Obviously, we're only interested in having things that work, but, unfortunately, we have to come up with the ideas before we can even test them.

So, now, the Army—and, to some extent, the Marine Corps—is seeking innovative tools for recruiting and retaining the right people as they are challenged to meet their authorized end strengths. At the same time, the Air Force and the Navy need force-shaping tools to allow them to make rather substantial reductions to their end strength, but in a very smart way that keeps the servicemembers with these skills and training experience that they need in the post-Cold War era. We need to work together to find ways to invigorate underused force-shaping tools, such as the Blue-to-Green Program, perhaps by tying that program's effectiveness to other force-shaping programs to incentivize the Services to work together to increase the number of Navy and Air Force personnel who participate in Blue-to-Green. We need to continue to do that. I know that adding Federal civilian employees and contractor personnel can help with that, to some degree.

This year we also face important decisions about sustaining health care benefits for our servicemembers and retirees, as well as their family members, and we need to work on the Terrorism Risk Insurance Act (TRIA). I appreciate having had the opportunity to visit with Secretary Chu on this previously. Obviously, the cost of providing benefits continues to rise in this field, as in every field. The question is, at what rate can we pass that cost back to retirees? We need to find a way to do that that's not only appropriate, but is also fully protective of budgets at home. While increases may not be as large for enlisted as for retired officers' nevertheless, a sudden impact on a budget for a retired person is not something to be ignored.

Mr. Chairman, I appreciate this opportunity so much, and I'm anxious to hear from our witnesses on the many questions we're all going to have and try to find a way to make that all work.

Senator GRAHAM. Thank you very much, Senator. I've enjoyed working with you. It's been a real pleasure.

It's now time to hear from the Services. I'm sorry I didn't allow that to happen at first. I apologize.

General Hagenbeck.

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

General HAGENBECK. Senator Graham and Senator Nelson, thank you for the opportunity to come before you today on behalf of America's Army.

The United States Army is grateful for all the legislation passed recently that improved incentives and bonuses, attracting and retaining the very best soldiers. We're competing in a very tough recruiting market within an improving economy. These recent legislative changes will truly assist the Army to continue the successes of the All-Volunteer Force.

With regard to the short time that we have now, I'll suspend any further statements. I've submitted a written statement for the record.

Please let me thank you again for all the support that you've given in the past, and we look forward to your continued support here in the coming months and over the fiscal year.

Thank you, sir.

[The prepared statement of General Hagenbeck follows:]

PREPARED STATEMENT BY LTG FRANKLIN L. HAGENBECK, USA

Senator Graham, Senator Nelson, distinguished members of the subcommittee, thank you for providing me opportunity to appear before you today on behalf of America's Army. The United States Army is grateful to this committee for all legislation passed recently that improved incentives and bonuses for attracting and retaining the very best soldiers. We are competing in a very tough market within a robust economy and these recent legislative enactments will assist the Army to continue to grow and maintain the All-Volunteer Force. With your support now and in the future, our Army will meet the needs of the Nation and continue to fight the global war on terror. These soldiers continue to make history and demonstrate to America that this Army is unparalleled. This generation shows for the first time in our history that the All-Volunteer Force can be called upon to face a prolonged conflict and persevere. Creating the right composition of this All-Volunteer Army is our challenge. With your assistance we will achieve the right mix of incentives to compensate, educate, and keep the Army properly manned with the best and brightest our Nation has to offer.

As the Army transforms, the soldier remains the centerpiece in all that the Army is now and aspires to achieve. The responsibility is ours to provide these soldiers as relevant and ready land forces to the combatant commanders to meet mission accomplishment, now and in the future. As I speak to you today, more than 600,000 soldiers are serving on Active-Duty. Currently we have more than 245,000 soldiers, Active, Guard, and Reserve deployed or forward stationed overseas and another 13,000 securing the homeland. Soldiers from every State and territory . . . soldiers from every corner of this country . . . serving the people of the United States with incredible honor and distinction. Soldiers participate in homeland security activities and support civil authorities on a variety of different missions within the United States. This past year showed an unprecedented reliance on the Army National Guard and Reserve Forces both here and abroad in reaction to natural disasters and to the continued fight in the global war on terrorism. As the regular Army rotated out of theater to re-set as a modular force for continued operations in the global war on terrorism, the Reserve component stepped up to the mission. We are truly one Army with Active and Reserve Forces working the same mission in concert and with great successes. Additionally, a large Army civilian workforce (over 240,000), 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 remain fully engaged around the world and 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 per-

sonnel policy and the status of our benefits and compensation packages as they relate to maintaining a quality force.

RECRUITING

Recruiting soldiers who will fight and win on the battlefield is critical to the success of our mission. These soldiers must be confident, adaptive, and competent; able to handle the full complexity of 21st century warfare in our current combined, joint, expeditionary environment. They are the warriors of the 21st century. However, recruiting these qualified young men and women is extremely challenging in the highly competitive environment. The head to head competition with industry, an improving economy, lower unemployment, decreased support from key influencers, the media and the continuing global war on terrorism present significant challenges.

Currently we are meeting our recruiting missions. The Active component finished January 2006 at 103 percent accomplished with a year-to-date achievement of 104 percent. The United States Army Reserve finished January 2006 at 103 percent accomplished with a year to date achievement of 114 percent. The National Guard finished January 2006 at 113 percent accomplished with a year to date achievement of 109 percent. All components are projecting successful annual missions for fiscal year 2006. Bear in mind, there is still two-thirds of the mission remaining. Much work remains to be done but the assistance from Congress and the current efforts of the recruiting force are cause for optimism. It is a challenge that we must meet.

INCENTIVES AND ENLISTMENT BONUSES

The Army must maintain a competitive advantage to remain successful in attracting high quality applicants. Bonuses are the primary and most effective competitive advantage for the Army. These incentives are instrumental in filling critical Military Occupation Specialties.

Enacted legislation last year has assisted the Army in this effort by increasing the cap on bonuses from $20,000 to $40,000. ($10,000 to $20,000 for Reserves) These bonuses are designed to attract the special needs of the Army and our applicants. These bonuses help us to compete against current market conditions now and in the future. The bonuses enable us to target critical skills in an increasingly college oriented market and meet seasonal ("quick-ship") priorities.

The Army's recruiting program is most effective when equipped with the right mix of incentives and bonuses. 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 66 percent of the high school market attending college within 1 year of graduation. The Army College Fund allows recruits to both serve their country and earn additional money for college.

The Loan Repayment Program, with a maximum of $65,000 payment for already accrued college expenses, is another expander of the high-quality market. This Loan Repayment Program is the best tool for those who have college education credits and student loans. In fiscal year 2005, 28 percent of our recruits had some college education credits.

Other recently passed legislation we expect to assist in our recruiting mission includes the increase of enlistment age, the $1,000 referral bonus (Pilot ends December 31, 2007), the expanded Student Loan Repayment Program to include officers, and the Temporary Recruiting Incentives Authority. Collectively these will directly assist the Army in achieving the fiscal year 2006 mission and build the entry pool for fiscal year 2007. The reality is that given the competition with industry, an improving economy, decreased support from key influencers and continuing deployments to wage the global war on terrorism, we need your continued support for the additional resources to maintain the All-Volunteer Army.

ENLISTED RETENTION

The Active Army has achieved all retention goals for the past 6 years, a result that can be directly attributed to the Army's Selective Reenlistment Bonus (SRB) program and the motivation of our soldiers to accept their "Call to Duty." The Active Army retained 69,512 soldiers in fiscal year 2005, finishing the year 108 percent of mission. The Army Reserve finished the year 102 percent of mission and the Army National Guard finished at 104 percent of mission.

In fiscal year 2006, the Active Army must retain approximately 64,200 soldiers to achieve the desired manning levels. This year's mission is similar in size to last year 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 107 percent of the year-to-date mission, while the Army Reserve has achieved 96 percent of the year-to-date mission and the Army National Guard has

achieved 103 percent of their year-to-date mission. A robust bonus program facilitates meeting Army retention goals.

We continue to review our Reenlistment Bonus Programs and their impacts on retaining 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 a deployed reenlistment bonus as a tool to attract and retain quality soldiers with combat experience. This bonus 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.

Worldwide deployments and an improving economy 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 the retention program. Ultimately, we expect to achieve fiscal year 2006 retention success in the active Army, the Army National Guard, and the United States Army Reserve.

OFFICER RETENTION

The Army is retaining roughly 92 percent of our company grade officers. Company grade loss rates (lieutenant and captain) for fiscal year 2005 were 8.55 percent, slightly below the historical Army average of 8.64 percent (fiscal years 1996–2004). First quarter, fiscal year 2006 company grade loss rates were 8.4 percent. Immediately following September 11, 2001, company grade loss rates were at historical lows: 7.08 percent and 6.29 percent respectively. The 3 years prior to September 11, 2001, company grade loss rates averaged 9.8 percent. Officer retention has taken on renewed interest not because of an increase in officer loss rates, but because of a significant force structure growth and modularity. The Army is short roughly 3,500 Active component officers, most of which are senior captains and majors. While the overall company grade loss rates are not alarming, the Army is being proactive and is working several initiatives to retain more of our best and brightest officers. These initiatives include higher promotion rates for captains and majors. The Army is currently promoting qualified officers above the Defense Officer Personnel Management Act promotion goals. These initiatives also include earlier promotion pin-on points. The Army is promoting officers sooner than historical averages in order to fill the expanding captain and major authorizations. Promotion to captain averages 38 months time-in-service, against the historical average of 42 months. Another initiative we are utilizing is expanding graduate school opportunities. The Army is offering up to an additional 200 fully funded graduate school opportunities to high performing company grade officers. These officers will begin attending school in the summer of 2006. This is above the normal 412 officers the Army currently sends to school. Branch and Posting for Active Service is another program that offers United States Military Academy and Reserve Officer Training Corps cadets their first choice for branch or assignment in exchange of 3 additional years of Active-Duty service. To date, over 800 officers have signed up for these programs. Officer loss rates are consistent with historical trends; however, in order to fill the growth of officer modularity structure, we must retain more of our officers. We are confident that we can achieve this through these officer retention initiatives.

STOP-LOSS

The focus of Army deployments is on trained and ready units. Stop-loss is a management tool that effectively sustains a force that has trained together, to remain a cohesive element throughout its deployment. Losses caused by non-casualty oriented separations, retirements, and reassignments have the potential to adversely impact training, cohesion, and stability in Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF), and Operation Nobel Eagle (ONE) deploying units. The commitment to pursue the global war on terrorism requires us to provide our combatant commanders with cohesive, trained, and ready forces necessary that will decisively defeat the enemy. This effort requires us to continue the following two stop-loss programs, the first of which is Active Army Unit stop-loss. This applies to all Regular Army soldiers assigned units alerted or participating in OIF and OEF. The second program is the Reserve component unit stop-loss which is applicable to all

Ready Reserve soldiers who are members of Army National Guard or United States Army Reserve who are assigned to Reserve component units alerted or mobilized for participation in ONE, OEF, and OIF.

There is not a specific end date for the current use of stop-loss. The size of future troop rotations will in large measure determine the levels of stop-loss needed in the future. Initiatives such as Force Stabilization (3-year life cycle managed units), Modularity, and the program to rebalance/restructure the Active component/Reserve component for mix should alleviate much stress on the force and will help mitigate stop-loss in the future.

The number of soldiers affected by stop-loss will decrease as the Army moves towards more lifecycle manned units, reduced deployment requirements and a smaller overseas footprint. For the National Guard and Reserve, unit stop-loss will still occur—at a reduced level—during periods of mobilization due to limited control for distributing personnel resulting from community based manning. The Army intends to terminate stop-loss as soon as operationally feasible or upon determination that it is no longer needed.

As of the end of the month of December 2005 stop-loss potentially affected a total of 12,467 soldiers from all components (Active Army, 7,620; Army National Guard, 2,429; and United States Army Reserve, 2,418).

INDIVIDUAL READY RESERVE MOBILIZATION

The mission of the Individual Ready Reserve (IRR) is to provide a pool of soldiers who are "individually ready" for call-up. In August of 2004, the Army began its most current IRR mobilization effort. As of February 2006, over 5,347 IRR soldiers have served on Active-Duty in support of current operations. The IRR has been used primarily to fill deploying Reserve component forces supporting OIF and OEF and to fill individual augmentation requirements in joint organizations supporting combatant commanders.

The IRR has improved the readiness of deploying Reserve component units and has reduced required cross-leveling from other Reserve component units, which allows us to preserve units for future operations. Currently there are over 2,200 IRR soldiers filling positions in deployed units, with approximately 500 more in the training process who will link up with their units by the end of March 2006. Approximately 87 percent of the soldiers scheduled to report to Active-Duty through February 2006 reported for duty. We continue to work with the remaining 13 percent to resolve issues that may have precluded them from reporting.

The IRR has also contributed to the manning of joint headquarters elements such as the Multi-National Force-Iraq, Combined Forces Command-Afghanistan, and others; which allows the Army to balance the contributions of the active and Reserve components in these headquarters. Over 365 IRR soldiers have served in individual augmentation positions. Another 143 IRR soldiers have served in a special linguist program to support commanders on the ground in the Central Command (CENTCOM) area of operations.

The Army plans to continue use of the IRR and has developed a transformation plan to reset and reinvigorate the IRR. Previously a large number of the IRR were either unaware of their service obligations or not qualified to perform further service. The Army is implementing several programmed initiatives to transform the IRR into a more viable and ready prior-service talent bank. We created a new administrative category called the Individual Warrior. This category requires soldiers to participate in virtual musters, attend annual readiness processing and participate in training opportunities thus maintaining their military occupational specialties. To improve soldier's understanding of service commitments, the Army will develop and deliver expectation management briefings and obligation confirmation checklists to all soldiers at initial enlistments/appointments and again during transition. The Army is also conducting systematic screening to reconcile records and identify non-mobilization assets which will likely result in a reduction in the current IRR population and aid in establishing realistic readiness reporting.

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 designed to support our soldiers and their families. An effective compensation package is critical to efforts in the global war on terrorism as we transition to a more joint, expeditionary, and cohesive force.

The Reserve components represent a significant portion of the capability of the Total Force and are an essential element in the full spectrum of worldwide military operations. Both the Department of Defense (DOD) and Congress recognize the importance of appropriate compensation and benefits for these soldiers. The National Defense Authorization Act for Fiscal Year 2006 authorized the full rate of Basic Allowance for Housing for Reserve component members called or ordered to Active-Duty for greater than 30 days. We now have the ability to provide involuntarily mobilized soldiers replacement income should they make less money on Active-Duty than they do in their civilian employment. Additionally, we believe the increases to affiliation bonus and special pay for high priority units will ensure we can attract and retain our Reserve component force.

The Army continues to develop programs to address the unique challenges we face with our recruiting and retention mission. The legislation authorized by Congress provides the flexible tools needed to encourage citizens to enlist in the Army. The Army is currently developing the pilot program for first-term initial entry soldiers to offer matching funds for Thrift Savings Plan contributions. We expect to announce this program 3rd quarter of this fiscal year. We are executing increases in enlistment and reenlistment bonuses. We continue to use the 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.

We constantly look for ways to compensate our soldiers for the hardships they and their families endure and we appreciate your commitment in this regard. We evaluated military housing areas affected by Hurricane Katrina and will continue to address areas where soldiers may need additional housing assistance due to the impacts of disasters on the local housing market.

The Army appreciates your emphasis and interest in soldiers and families and their need for financial support when they suffer a combat injury or become a casualty. Soldiers perform best when they know their families are in good care. Many of our surviving families are able to stay in Government housing for an extended period during their recovery from the loss of their spouse contributing to a better organized transition from the Service and allowing their children to continue the school year with the least amount of interruption. The changes to survivor benefits ensure all soldiers and their families are treated fairly and equitably. We are working with our sister services and the Office of the Secretary of Defense in developing the procedures to implement the Combat-injury Rehabilitation Pay to assist our injured soldiers in their time of need. These enhancements to survivor benefits and entitlements for our wounded soldiers demonstrate recognition of their ultimate contributions and a commitment to taking care of our own.

WELL BEING

A broad spectrum of services, programs, and initiatives from a number of Army agencies provide for the well-being of our people while supporting senior leaders in sustaining their joint warfighting human capabilities requirements. Our well-being efforts are focused on strengthening the mental, physical, spiritual and material condition of our soldiers, civilians, and their families while balancing demanding institutional needs of today's expeditionary Army. Allow me to take a few minutes to address three of our programs that directly support our Army at war, regardless of component.

U.S. ARMY WOUNDED WARRIOR PROGRAM

Wounded soldiers from OEF and OIF deserve the highest priority from the Army for support services, healing and recuperation, rehabilitation, evaluation for return to duty and successful transition from Active-Duty if required. To date the Army has assisted nearly 1,000 soldiers under this program.

The Army Wounded Warrior (AW2) Program takes to heart the Warrior Ethos, "Never leave a fallen comrade." The severely injured soldier can be assured the Army will be with him and do whatever it takes to assist a soldier during and after the recovery process.

As soldiers progress through their care and rehab, AW2 remains with them to ensure all their immediate non clinical needs are met (securing financial assistance in the form of grants from a network of providers, resolving travel claims, and finding a place for family members to live). AW2 has resolved numerous wounded soldier pay issues and benefits to ensure all soldiers' pay is properly protected and monitored while they recover. AW2 is staffed now with an Army Finance Specialist, Veterans' Affairs (VA) Specialist, Human Resources and Employment Specialists to get to the root of the problems and fix them quickly.

AW2 has taken active roles in changing policy to resolve soldier debts, remain on Active-Duty despite traumatic injuries (e.g. amputations, blindness), and working with public and private sector employers to provide meaningful employment. Corporations interested in our wounded soldiers include Disney, Evergreen Aviation Intl, Osh-Kosh Trucking and other Federal agencies as well.

CENTCOM REST AND RECUPERATION LEAVE PROGRAM

A fit, mission-focused soldier is the irreducible foundation of our readiness. For soldiers fighting the global war on terrorism in the CENTCOM area of responsibility, the Rest and Recuperation (R&R) Leave Program is a vital component of their well-being and readiness.

Every day, flights depart Kuwait City International Airport carrying hundreds of soldiers and DOD civilians to scores of leave destinations in the continental United States and throughout the world. Such R&R opportunities are essential to maintaining combat readiness and capability when units are deployed and engaged in such intense and sustained operations. Since September 25, 2003, 311,949 soldiers and DOD civilians have participated in this highly successful program. They have benefited through a break from the tensions of the combat environment and from the opportunity to reconnect with family and loved ones.

General Abizaid, the CENTCOM Commander has stated, "The Rest and Recuperation Leave Program has been a major success." Additionally, this program also generates substantial, positive public reaction and increased political support for U.S. objectives in the global war on terrorism. The R&R Leave Program has become an integral part of operations and readiness and is a significant contributor to our soldiers' success.

DEPLOYMENT CYCLE SUPPORT

Deployment Cycle Support (DCS) is a comprehensive process focused on preparing soldiers, their families, and deployed Department of the Army civilians for their return and reintegration into their families, communities, and jobs.

As of February 10, 2006, nearly 400,000 (387,550) soldiers have completed the in-theater Redeployment Phase DCS tasks prior to returning home to their pre-deployment environment. The DCS phase is expanding to include all phases of the deployment cycle (train up/preparation, mobilization, deployment, employment phases).

The bravery and sacrifices of today's soldiers and family members are in the tradition set by our retired soldiers and family members. Those who fight the global war on terrorism follow in the footsteps of retired soldiers who fought in World War II, Korea, Vietnam, and Operation Desert Storm and the families who supported them.

RETIREMENT SERVICES

I would like to also point out that our efforts extend beyond our Active-Duty population. The Army counts on its retired soldiers to continue to serve as mobilization assets and as volunteers on military installations. Retired soldiers are the face of the military in communities far from military installations and often act as adjunct recruiters, encouraging neighbors and relatives to become part of their Army.

Retired soldiers and family members are a force of more than a million strong. Retired soldiers receiving retired pay and retired Reserve soldiers not yet age 60 and not yet receiving retired pay, total almost 800,000 and their spouses and family members brings this total to over a million.

CONCLUSION

In our efforts to maintain your All-Volunteer Army, we need the continued support of Congress for the appropriate level of resources. In addition we need your support as national leaders to affect influencers and encourage all who are ready to answer this Nation's call to duty. To ensure our Army is prepared for the future, we need full support for the issues and funding requested in the fiscal year 2006 supplemental and the fiscal year 2007 President's budget to support the Army manning requirements given the current operational environment.

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

Senator GRAHAM. General Brady.

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

General BRADY. Thank you, Senator Graham and Senator Nelson. I'd like to echo General Hagenbeck's comments. The committee has been extraordinarily helpful to us in making sure that we retain the quality-of-life that our men and women need so much.

I'll also make my remarks very brief, given the limits on time.

This year, the Air Force is in the situation of balancing books. We have huge challenges, like the other Services do. So, we're balancing investment programs to recapitalize the oldest fleet we've ever flown. We're also looking at getting the right structure, the right operation and maintenance accounts, and the right people accounts. People are the most important thing we have. They also turn out to be the most expensive. So, we are working very hard to make sure that we have the very best people, with the right skills, in the right places. We appreciate your help in assisting us in shaping our force in a way that recognizes the tremendous sacrifice and contribution of our people, and, at the same time, being responsible in the way that we provide the force to this Nation.

Thank you, and I look forward to any questions that you have.

[The prepared statement of General Brady follows:]

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

INTRODUCTION

We are America's airmen. Our mission is to deliver sovereign options for the defense of the United States of America and its global interests—we fly and we fight—in air, space, and cyberspace. For the past 15 years, our Air Force team has proven its mettle and skill every day. Since the days of Operation Desert Storm, we have been globally and continuously engaged in combat. We will continue to show the same ingenuity, courage and resolve and achieve success in our three most important challenges: winning the global war on terrorism; developing and caring for our airmen; and maintaining, modernizing, and recapitalizing our aircraft and equipment.

To ensure we have the right sized and shaped force to face the challenges of the new century, the Air Force is transforming itself to meet the threats of the future security environment by recapitalizing our force to develop capabilities across a range of sovereign options for our Nation's leaders. However, we must judiciously balance our transformation with the ongoing global demands of the global war on terrorism; hence, transforming the Air Force of the 21st century will require reductions in our legacy force structures; bold, new thinking to derive process efficiencies and development of innovative organization structures to facilitate our recapitalization efforts.

Our people have been the key to our success. We will continue to look for ways to maintain and improve their training, their personal and professional development and their quality-of-life, so they may continue to meet the commitments of today while preparing for the challenges of tomorrow.

Force Shaping

For the past 18 months, the Air Force has reduced our Active-Duty end strength to congressionally-authorized levels and taken action to relieve some of our most stressed career fields. The 2004–2005 Force Shaping Program allowed officers and enlisted personnel to separate from Active-Duty service earlier than they would otherwise have been eligible. In addition to voluntary force shaping measures, the Air Force significantly reduced enlisted accessions in 2005 to help meet our congressional mandate.

While we met our 2005 end strength requirement, we began 2006 with a force imbalance: a shortage of enlisted personnel and an excess of officer personnel, principally among those officers commissioned from 2000 to 2004. This imbalance created several unacceptable operational and budgetary impacts. Consequently, we took several actions to ensure our force is correctly sized and shaped to meet future

challenges and to reduce unprogrammed military pay costs. First, we increased our enlisted accession target for 2006 to address the enlisted imbalance. Second, we continued to encourage qualified officers, especially those commissioned in 2000 and later, to consider voluntary options to accept service in the Air National Guard, Air Force Reserve, civil service, or as an interservice transfer to the Army.

Additionally, we are institutionalizing the force shaping authority granted in the National Defense Authorization Act for Fiscal Year 2005 to restructure our junior officer force. Only after exhausting all efforts to reduce officer end strength by voluntary means, we will convene a Force Shaping Board in 2006 to consider the performance and potential of all eligible officers commissioned in 2002 and 2003. This board will be held annually thereafter, as required, to properly shape and manage the officer corps to meet the emerging needs of the Air Force. Essentially, the Force Shaping Board will select officers for continued service in our Air Force. Current projections indicate that we need about 7,800 of these eligible officers (2002 and 2003 year groups) to continue on Active-Duty. Approximately 1,900 officers will be subject to the force reduction. Exercising this authority is difficult, but our guiding principle is simple—we must proactively manage our force to ensure the Air Force is properly sized, shaped, and organized to meet the global challenges of today and tomorrow. To this end, we will continue to look at legislation necessary to properly shape our total force of Active-Duty, civilian employees, Air National Guard and Air Force Reserve airmen.

Balancing the Total Force

In addition to maintaining and shaping the Active-Duty Force, we must continue to focus on the balance of forces and specialties between Regular, Air National Guard and Reserve components, as well as our civilian employees and contractor partners—the Total Force. We are diligently examining the capabilities we need to provide to the warfighter and to operate and train at home. We continue to realign manpower to our most stressed areas and are watchful for any new areas that show signs of strain.

As we look to the future in implementing Base Realignment and Closure (BRAC) and Quadrennial Defense Review (QDR) decisions, we must ensure a seamless transition to new structures and missions while preserving the unique capabilities resident in our Regular Air Force, Air National Guard and Reserve communities. Examining functions for competitive sourcing opportunities or conversion to civilian performance will continue to be one of our many tools for striking the correct balance of missions across the Total Force.

Force Development

The Air Force's Force Development construct is a Total Force initiative that develops officers, enlisted members, and civilian employees from the Regular Air Force, the Air National Guard and the Air Force Reserve. The fundamental purpose of force development is to produce leaders at all levels with the right capabilities to meet the Air Force's operational needs by leveraging deliberate training, education and experience opportunities.

To succeed internationally, as an Aerospace Expeditionary Force, and in the global war on terrorism, it is essential to breakdown the barriers of culture and language and set new patterns of thinking. This necessitates understanding and successfully using knowledge of language and culture to enhance mission success. Our goal is to rigorously educate our force, as well as, provide additional learning opportunities that will enable airmen to become internationally savvy. In our continuums of learning and education, additional emphasis is being placed on language and culture. Officers at the Air Force Academy and Reserve Officer Training Corps (ROTC) will receive a foundation in a foreign language. As our officer and noncommissioned officer (NCO) Corps progress through their career they will receive additional education to develop cultural understanding and awareness as a foundation for building relationships. For example, at our intermediate level education we are instituting courses to develop regional cultural awareness and study of a corresponding language such as Spanish, French, Arabic, or Chinese. At our senior level education we will continue that depth of knowledge emphasizing cross-cultural communication and negotiation skills as a foundation for planning and executing military operations.

In addition, today's dynamic security environment and expeditionary nature of air and space operations require a cadre of Air Force professionals with a deeper international insight, foreign language proficiency, and cultural understanding. The International Affairs Specialist Program is a force development initiative that offers airmen the opportunity to fully develop these key military competencies. Officers will receive more in-depth formal training and education with an appropriate follow-

on assignment. Many officers will do this as a well-managed, single-career broadening opportunity to gain international political-military affairs experience. But, for some this will be a more demanding developmental opportunity creating a true regional expert possessing professional language skills. These officers will be carefully managed to remain viable and competitive. To ensure all these efforts are synchronized in our development of the force, I established a Foreign Language and Culture office under the Air Force Senior Language Authority within the Directorate of Manpower and Personnel.

To operationalize force development, the Air Force Personnel Center created a division dedicated to supporting corporate and career field development team needs. Development teams have now been incorporated into the officer assignment process and they now guide assignment of all officer career fields. Additionally, development teams recommend officers for special selection boards and developmental education opportunities.

The Air Force is also deliberately developing our enlisted airmen through a combined series of educational and training opportunities. We are exploring new and exciting avenues to expand our process beyond the current system in place today. Each tier of the enlisted force will see changes to enlisted development. Airmen (E–1 to E–4) will be introduced to the enlisted development plan, increasing their knowledge and solidifying future tactical leadership roles. The NCO tier will be encouraged and identified to explore career-broadening experiences and continuing with developmental education. Our Senior NCO tier will see the most dramatic changes as we explore the use of development teams in conjunction with assignment teams to give career vectoring and strategic level assignments. Institutionalizing the practice of development as a part of enlisted Air Force culture is paramount for supervisors, commanders, and senior leaders.

On the civilian side, the Air Force is making significant progress in civilian force development as we align policy, processes and systems to deliberately develop and manage our civilian workforce. We have identified and mapped over 97 percent of all Air Force civilian positions to career fields and have 15 Career Field Management Teams in place with 3 additional management teams forming this year. Additionally, we manage various civilian developmental opportunities and programs, with our career-broadening program providing several centrally funded positions, specifically tailored to provide career-broadening opportunities and professionally enriching experiences.

Recruiting/Retention

After intentionally reducing total accessions in 2005, the Air Force is working to get the right mix of officer and enlisted airmen as we move to a leaner, more lethal and more agile force. We will align the respective ranks to get the right person, in the right job, at the right time to meet the Air Force mission requirements in support of the global war on terrorism, the Joint Force and the Air Force's expeditionary posture.

A key element for success is our ability to continue to offer bonuses and incentives where we have traditionally experienced shortfalls. Congressional support for these programs, along with increases in pay and benefits and quality-of-life initiatives, has greatly helped us retain the skilled airmen we need to defend our Nation.

Personnel Services Delivery

To achieve the Secretary of Defense's objective to shift resources "from bureaucracy to battlefield," we are overhauling Air Force personnel services. Our personnel services delivery initiative dramatically modernizes the processes, organizations and technologies through which the Air Force supports our airmen and their commanders.

Our goal is to deliver higher-quality personnel services with greater access, speed, accuracy, reliability, and efficiency. The Air Force has been able to program the resulting manpower savings to other compelling needs over the next 6 years. This initiative enhances our ability to acquire, train, educate, deliver, employ, and empower airmen with the needed skills, knowledge, and experience to accomplish Air Force missions.

National Security Personnel System

Our civilian workforce will undergo a significant transformation with implementation of the Department of Defense (DOD) National Security Personnel System (NSPS). NSPS is a simplified and more flexible civilian personnel management system that will improve the way we hire, assign, compensate, and reward our civilian employees. This modern and agile management system will be responsive to the national security environment, preserve employee protections and benefits, and maintain the core values of the civil service.

NSPS design and development has been a broad-based, participative process to include employees, supervisors and managers, unions, employee advocacy groups and various public interest groups. We plan to implement these human resource and performance management provisions in three phases called "spirals." NSPS is the most comprehensive new Federal personnel management system in more than 50 years, and it's a key component in the DOD's achievement of a performance-based, results-oriented Total Force.

Caring for Airmen

Combat capability begins and ends with healthy, motivated, trained, and equipped airmen. We must remain committed to providing our entire Air Force team with world class programs, facilities and morale-enhancing activities. Our "Fit to Fight" program ensures airmen remain ready to execute our expeditionary mission at a moment's notice, and our food service operations further complement an Air Force healthy lifestyle.

Through various investment strategies in both dormitories and military family housing, we are providing superior living spaces for our single airmen and quality, affordable homes for our airmen who support families. Our focus on providing quality childcare facilities and programs, on and off installations, enables our people to stay focused on the mission, confident that their children are receiving affordable, quality care. The Air Force is a family, and our clubs and recreation programs foster and strengthen those community bonds, promoting high morale and an esprit de corps vital to all our endeavors.

Additionally, we are equally committed to ensuring that all airmen in every mission area operate with infrastructure that is modern, safe and efficient, no matter what the mission entails—from depot recapitalization to the bed down of new weapon systems. Moreover, we must ensure airmen worldwide have the world class training, tools and developmental opportunities that best posture them to perform with excellence. We also continually strive to provide opportunities and support services that further enable them to serve their Nation in a way that leaves them personally fulfilled, contributes to family health, and provides America with a more stable, retained, and capable fighting force.

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. Admiral Harvey.

STATEMENT OF VADM JOHN C. HARVEY, JR., USN, CHIEF OF NAVAL PERSONNEL, UNITED STATES NAVY

Admiral HARVEY. Good morning, sir. Thank you for this opportunity to appear before you and make these comments.

I've learned that it's always a good idea to follow the example of General Hagenbeck; and so, I will also suspend a lot of what I had looked forward to talking about, in order to leave more time for your questions.

One of the things I want to say is that, as we reshape and adapt the U.S. Navy, as we are in a very big way now, to defeat the emerging threat, we shall continue to be the preeminent naval fighting force in the world. At the very heart of this Navy, at the core of its strength is our people, Active and Reserve, military and civilian, the most fundamental elements of our readiness and strength. They are making significant sacrifices, as you alluded to, sir, to protect this Nation and prosecute this global war on terrorism, and these patriotic and professional Americans continue to perform brilliantly for us, and you have every reason to be proud of them.

We are extremely grateful for your commitment, and the commitment of this committee, to the men and women of the U.S. Navy and to the programs that make them the premier maritime fighting force, and that sustain them and their families. On behalf of all our sailors and our civil servants and their families, I'd like to thank you and your committee for your continued and unwavering support.

Thank you very much, sir.

[The prepared statement of Admiral Harvey follows:]

PREPARED STATEMENT BY VADM JOHN C. HARVEY, JR., USN

INTRODUCTION—A CHANGING WORLD

Chairman Graham, Senator Nelson, distinguished members of the Personnel Subcommittee, thank you for providing me with this opportunity to appear before you today.

Our Navy is adapting rapidly to the new challenge of a very changed world. We are transforming from the largely blue water force of the Cold War to a much more broadly and jointly engaged force. Our sailors today are pursuing everywhere the enemy in the global war on terrorism. While we man the ships and aircraft of a matchless fleet in every one of the world's oceans, we are also fighting on the mountaintops of Afghanistan, in the deserts of Iraq, in the Horn of Africa and increasingly near shore, on rivers and inland waterways. We can also be found providing humanitarian relief to Tsunami victims in Indonesia and Southeast Asia, earthquake victims in Pakistan, mudslide victims in the Philippines, and to flood victims on our own Gulf Coast. The pace of our missions has changed. We no longer operate under a peacetime tempo, but rather with a wartime sense of urgency. Our enemies are not predictable—they rely on surprise, confusion and uncertainty. We can no longer be reactive to threats, but must be proactive and focused on capabilities we can apply to rapidly changing situations. We must be combat ready—every day.

Navy operations are requiring us to get the most we can out of our available resources—to deliver ever-increasing capability from an increasingly talented and educated force. At the same time, our market for this talent is changing—getting more competitive. The increasing pace of technological change, globalization, and demographic changes will significantly impact the pool of talent from which we draw the Navy's workforce. We will need to successfully compete in a more dynamic labor market, with a smaller, more diversified population.

To meet Navy workforce demands in the 21st century, we must take a broader view—we must take a Total Force approach. To be successful in delivering the Navy workforce of the 21st century and beyond we must start planning now. We are positioning ourselves to deliver a more responsive Navy workforce with new skills, improved training and better preparation to increasingly deliver a wide range of capabilities precisely where needed. Navy is meeting the dynamic national defense needs by creating a strategy for our people that addresses the total Navy workforce—Active, Reserve, civil service, and contractors, and is capability-based—i.e., defined by the work and workforce required to carry out Navy and joint missions. We are building this long-term strategy through integration, collaboration, and coordination of all the Manpower Personnel Training and Education (MPT&E) organization. We are capitalizing on Navy's Enterprise approach, and using our initial efforts as the single manpower resource sponsor as a launching point for our new capabilities-based approach. We will deliver this strategy by significantly changing the way we do business, and implementing new Sea Warrior systems that enable more flexible and responsive development and deployment of the total Navy workforce. Underlying the capability-based approach, and necessary to support our new sea warrior systems is a newly merged Manpower, Personnel, Training and Education Organization.

Strategy for Our People

The strategy for our people provides the guidance and tools to assess, train, distribute, and develop our manpower to become a mission-focused force that meets the warfighting requirements of the Navy. It gives us a roadmap—with objectives, desired effects, and specific tasking that, when executed, will transform the MPT&E domain. The goal is to be postured better to determine, based on the Department of Defense (DOD) and Department of the Navy (DON) strategic guidance and operational needs, the future force—capabilities, number, size, and mix. The goal of a transformed MPT&E is to define and deliver the required Navy workforce capabili-

ties at best value in an uncertain future. Specifically, a transformed MPT&E domain will deliver:

- A Workforce Responsive To The Joint Mission: Based on national defense strategies. Derived from, and responsive to, the needs of joint warfighters as described in DOD guidance.
- A Total Force: Address the Total Force—Active and Reserve military, civil service and contractor. Provide for a flexible mix of manpower options to meet warfighting needs while managing risk.
- Cost Effectiveness: This ability to balance across the total workforce permits the Navy to deliver its future workforce at best value, within fiscal constraints and realities.

Single Manpower Resource Sponsor

One of the first steps in moving toward a new approach for MPT&E was to review the "glideslope." Previous estimations of current and future manpower needs focused on identifying the lowest possible execution end strength limit—determining the right number for the current mission. It was based on managing "the numbers." As we move to a capabilities-based approach, we will focus on determining the right workforce (number, skills, and mix) based on current and future missions—based on an analysis of the work and work management, balanced with cost and operational risk. We examined and analyzed the Navy's shipbuilding and aircraft procurement plans. We reviewed the Quadrennial Defense Review (QDR) and understand its implications on Navy missions and force structure. We have explored sea/shore rotation options. We understand and now incorporate these drivers into the definition and development of our workforce requirements and compensation needs. Figure 1 describes the past and future approaches.

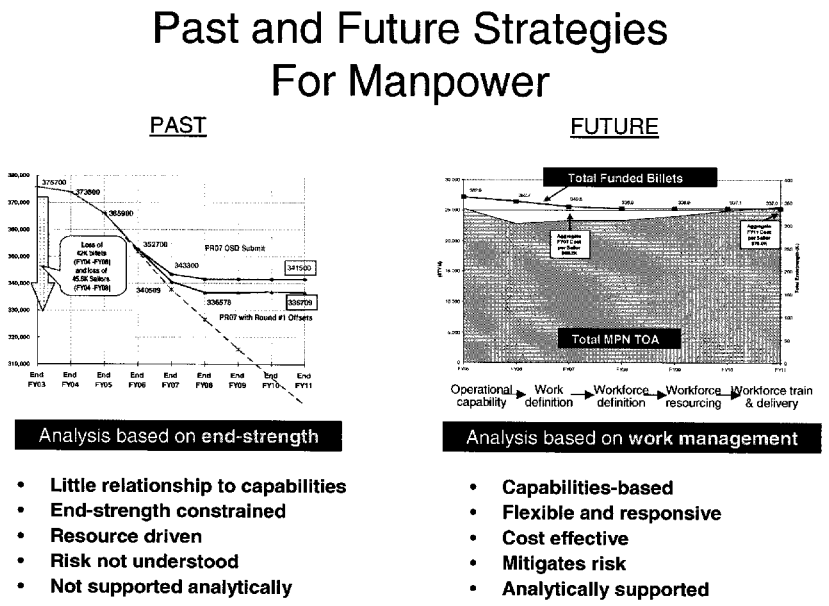


Figure 1

Future definitions of MPT&E requirements and resource needs will be based on significant collaboration with the Navy Enterprises, which use DOD and DON strategic guidance to define their warfighting capabilities and, subsequently, their workforce needs. The Enterprise construct gives us a good start in gaining understanding of missions, requirements, and capabilities. Using current billet baselines, we will validate the Enterprise domains and the associated work using a value chain assessment. The Navy Enterprises will be asked to define new capability requirements

and asked where we can take risk or divest functions and workload, allowing the Navy to identify "puts and takes" (billets needed and offsets). From this information we can build forward-looking, capability-based, affordable demand plans for recruiting, retention, and training.

Sea Warrior

Sea Warrior evolved over several years from three separate efforts to transform the manpower, personnel, and training domains (Figure 2). These separate efforts were merged into a single program, and the projects integrated to provide cohesive, coordinated products. Sea Warrior comprises the training, education, and career-management systems that provide for the growth and development of our people and enhance their contribution to joint warfighting ability. Sea Warrior delivers sailors greater career management and enables them to take a more active role in furthering their careers through education and training opportunities. The goal is to create a Navy in which the Total Force—Active, Reserve, civil service, and contractors—are optimally accessed, trained and assigned so they can contribute their fullest to mission accomplishment.

This year we deliver the initial functionality of Sea Warrior (known as Spiral 1). Sea Warrior Spiral 1 fiscal year 2006 deliverables consists of four systems that provide our sailors with better information to plan their Navy careers. My Course provides an individualized roadmap of the training needed to meet the requirements of a desired position. Life-Long Learning is the longer-term view of meeting the sailor's professional and personal education and training goals. Certifications and qualifications, along with the Five Vector Model Advancement Index, provide sailors online assistance to bridge navy and civilian credentialing, as well as additional career planning tools.

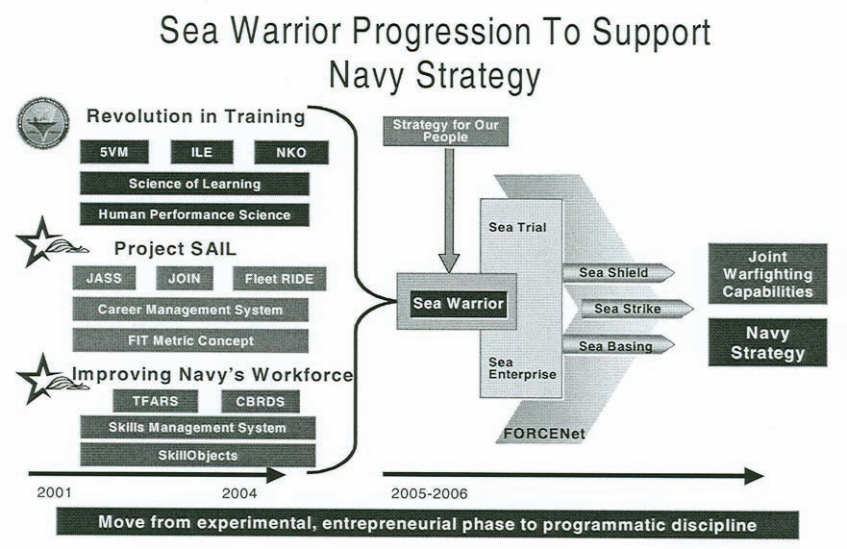


Figure 2

CHANGING DEMAND SIGNALS . . . NEW AND NON-TRADITIONAL MISSIONS

Expeditionary Combat Command

We established the Navy Expeditionary Combat Command (NECC) in recognition of the need to establish combat capability in the non-blue water regions adjacent to the littoral. Some of these new missions (such as Riverine Warfare and Civil Affairs) will be enduring while others (such as Detainee Operations) may be transitory in nature. NECC will provide the oversight of the unique training and equipping these challenging missions will require.

Individual Augmentations (Iraq, Afghanistan, Horn of Africa)

The Navy has been proactive in assuming nontraditional missions in order to take maximum advantage of the superb capabilities inherent in our force. As a result, Navy augmentation to ground forces in the Central Command (CENTCOM) area of responsibility has grown from approximately 2,000 in December 2003 to over 10,000 today. Navy is leaning forward to assume even more combat, combat support and combat service support missions. For sailors in today's Navy it is not a question of whether they will do an augmentation tour but when.

Increased Interaction with Global Partners and Allies

Given the changes in the strategic landscape since September 11, the diversity of post-Cold War cultures we now interact with, and the unique security challenges of the 21st century, our success depends in large part on our ability to understand both adversaries and partners around the globe. Development and improvement of our foreign language skills, regional expertise, and awareness of foreign cultures is essential to conducting successful operations.

Accordingly, Navy is developing a Language, Regional Expertise and Culture (LREC) Strategy tailored to our mission. This strategy acknowledges language skill and regional expertise as key warfare enablers and provides overarching guidance for their development in the force. A core element of this effort is the reinvigoration of Navy's Foreign Area Officer (FAO) Program. FAOs are a professional cadre of officers with regional expertise and language skills who provide support to fleets, component commanders, combatant commanders, and joint staffs. We are also closely examining Navy's Personnel Exchange Program (PEP) with the intent of better distributing PEP members according to Navy component commander regional engagement strategies to enhance interoperability and mutual understanding with emerging partner nations.

CHANGING MARKET

As Navy's technology becomes increasingly sophisticated and the world in which we deploy becomes increasingly complex, we need more capable and better-educated sailors. To enlist the very high quality recruits necessary for today's Navy, we are competing head to head with business in a robust economy to attract the best and brightest of America's youth.

SIZE AND SHAPE OF THE FORCE

Recruiting and Retaining the Right Force

Our future Navy must be shaped to best support the global war on terrorism while still preserving our ability to prevail in major combat operations. Our force must be sized properly and shaped to meet the uncertain and dynamic security environment.

One Force

Navy has worked aggressively to integrate our Active and Reserve components into a single, seamless force, which will support a more operational and flexible unit structure. Together, as one team, we are providing all of the capabilities and skills required by Navy. Our experienced Navy reservists augment the Active Force with the right numbers of personnel, in the right skills and at the right time to meet mission demands. For example, we directly integrate our Fleet Replacement Units (FRU) with Active component units. The FRU supports the Fleet Response Plan by providing Reserve component sailors who are already trained to operate the same equipment and thus enables a smooth transition to mobilization and/or deployment. We also reduce training costs by having all sailors train on the same equipment. Over 38 percent of Construction Battalion (Seabees) personnel deployed to Iraq are reservists and 791 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 is providing direct support to ground forces engaging the enemy.

Reserve sailors are also contributing to operational support while on drills (IDT), annual training, Active-Duty for training (ADT), and Active-Duty for special work (ADSW). During the past year, these sailors provided over 15,000 man-years of support to the fleet. This support is the equivalent of 18 Naval Construction Battalions or two Carrier Battle Groups.

Active Component End Strength

Navy has reduced active end strength steadily since 2003 using a controlled, measured approach to shape and balance the skill mix within the force to maximize

warfighting readiness. Several initiatives have played a key role in allowing us to reduce active military manpower. These initiatives include optimal manning and substitution of civilian personnel in certain formerly military positions. We continuously assess the optimal mix of military manpower, procurement, and operations and maintenance required in light of evolving technology, missions, and Navy warfighting capabilities. We are positioning ourselves to take on new or increased roles in mission areas such as riverine operations, Naval Expeditionary Security Force and Special Operations; we have focused significant efforts to recruit the right individuals, significantly reduce post-enlistment attrition, and retain highly qualified and motivated sailors. The fiscal year 2007 President's budget supports, and the Defense Authorization Request seeks, a Navy Active-Duty strength authorization of 340,700. (Figure 3)

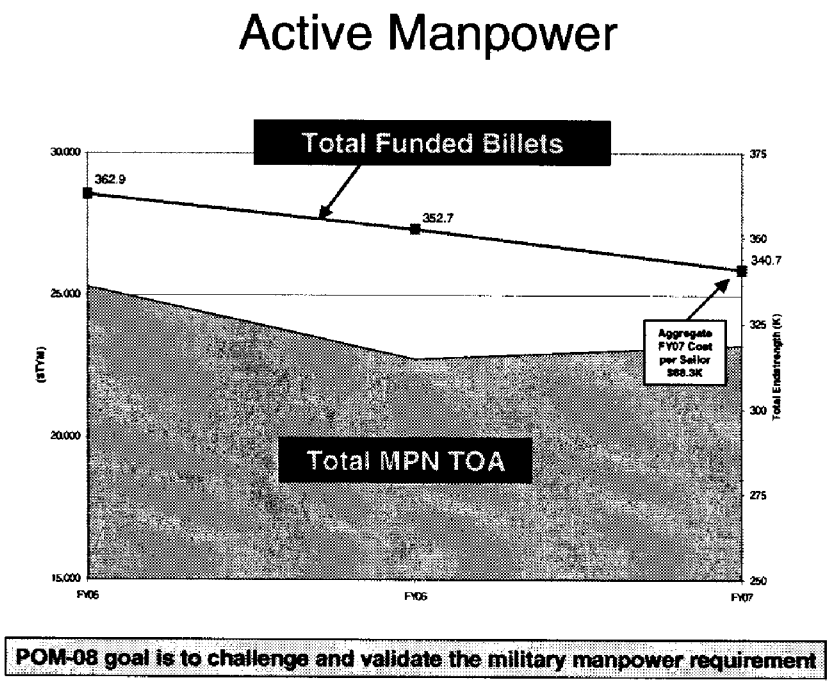
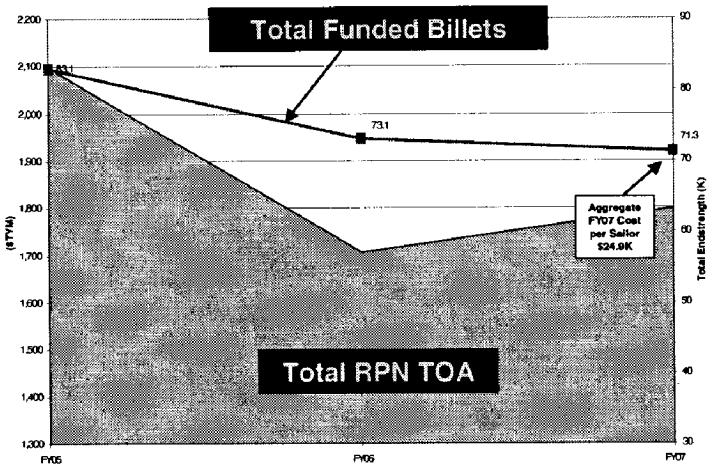


Figure 3

Reserve Component End Strength Request

The Navy Reserve Zero-Based Review identified those capabilities best provided by Reserve component members to support Navy missions on a periodic and predictable basis. Accordingly, Reserve component end strength for fiscal year 2007 is requested to be 71,300.

Reserve Manpower



POM-08 goal is to challenge and validate the military manpower requirement

Figure 4

Achieving the Right Force Mix

Three components are key to achieving and affording the right force mix within the end strength numbers requested. First—recruiting the numbers and quality of personnel to fully man needed skill sets; second—retaining personnel whose skill sets and experience are in demand; and third—incentivizing the voluntary separation of personnel whose skill sets are in excess or for which a need is no longer foreseen.

Conversion of Military Positions to Civilian Performance

Navy is intent on shaping our workforce so the military can focus on military work. Conversion of former military positions to civilian positions allows us to better align the military personnel to warfighting functions. The programmed conversions target non warfighting functions previously staffed and performed by military personnel. Programmed conversions include: transfer of U.S.S. vessels to Military Sealift Command (civilian mariners); medical; legal services; training support; and headquarters administrative functions.

RECRUITING

Active Enlisted Navy Recruiting

With the judicious application of recruiting incentives authorized by Congress, fiscal year 2005 marked the seventh consecutive year we achieved overall Active-Duty accession mission. It is very important to note that we met our Active-Duty accession goal while maintaining high recruit quality standards.

We have been successful in our active enlisted recruiting. Over the last 5 years, the quality of Navy accessions has increased significantly. In 2001, 90 percent of accessions were High School Diploma Graduates (HSDG), 63.3 percent scored in the Test Score Categories (TSC) I–IIIA, and 4.7 percent had some college. In fiscal year 2005, we met 100 percent of our Active enlisted accession goal, with 95 percent HSDG and 70 percent in TSC I to IIIA. Eleven percent of accessions had some col-

lege. In addition to overall quality goals, we met TSC I–IIIA goals for all diversity groups for the first time in history and increased the TSC I–IIIA percentage of every diversity group over the previous year. This improved quality has contributed to reductions in first-term attrition and changes in training regimen that reduced training time and improved fleet readiness. Our emphasis on quality continues.

It is becoming increasingly clear that we are competing in a far more challenging environment where unemployment is predicted to continue at low levels and where we are experiencing a significantly reduced propensity for America's youth to enlist in the Armed Forces. Future Active and Reserve recruiting success will require continued and perhaps enhanced authority for tools such as Enlistment Bonuses.

We continue to fall short of goals in recruiting for certain highly demanding and specialized communities, specifically Special Operations (SPECOPs) and Naval Special Warfare (SPECWAR). These special programs, with some of the most demanding training in the world, require exceptionally bright and physically fit individuals. The health of these communities is very important to the Navy's success in the global war on terrorism and requires us to place special emphasis both on recruiting and on fleet accessions. As a Navy we have taken the following measures to improve the enlisted SEAL and Special Warfare Combatant Crewman manning from their 83 percent and 79 percent levels (respectively):

- Established a SEAL Rating program which will ship recruits directly to Basic Underwater Demolition School after Recruit Training Command Basic Training.
- Established a SEAL recruiting goal for each Navy Recruiting District (NRD).
- Designated a SEAL coordinator in each NRD to monitor all SEAL recruits in the Delayed Entry Program (DEP). In the near future we will also hire former Special Warfare and Special Operations personnel as contractors to assist districts in selection, testing, education and mentoring of new recruits for Naval Special Warfare programs.
- Directed Commander Navy Recruiting Command NRDs to administer the Physical Standards Test prior to shipping the recruiting with a SEAL Challenge contract to RTC by March 2006.

Similar initiatives have also been implemented to address shortfalls in our very demanding programs for enlisted Explosive Ordnance Disposal and Fleet Diver communities.

Another area of great challenge for us is Reserve Enlisted Recruiting.

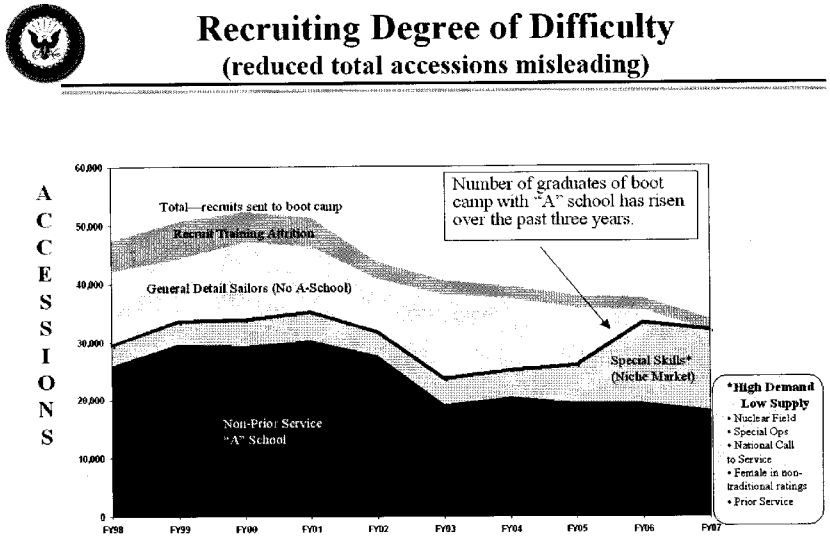


Figure 5

Reserve Enlisted Recruiting

Recruiting for the Navy Reserve is fundamentally different from recruiting for Active-Duty. Whereas for most Active-Duty recruits the Navy will provide the first real job and the start of a career, those entering the Navy Reserve are either continuing service after leaving Active-Duty or enlisting for a part-time commitment.

In fiscal year 2005 Navy only achieved 85 percent of goal for Reserve enlisted recruits. While fiscal year 2006 attainment is ahead of the pace from fiscal year 2005, we are still not on track to make goal for this year. Much of the shortfall for fiscal year 2005 and fiscal year 2006 was in those ratings, which directly support global war on terrorism. These ratings include Seabees, Hospital Corpsmen, Master at Arms and Information Specialists. These ratings are particularly challenging to fill because sailors with prior naval service primarily populate them. The issue here is two-fold. First, is high Active-Duty retention and the consequently low supply of eligible recruits with the specific rating experience. Second, some sailors in these ratings saw high operational tempo (OPTEMPO) during their Active service and are now hesitant to join the Reserves and face the possibility of further mobilization.

To address our Reserve recruiting challenges and to promote continued success in recruiting the Active Force, Navy initiated a process in fiscal year 2003 that is leading us to a single recruiting force and command responsible for supplying all our manpower needs. We have now nearly completed the consolidation of Active and Reserve infrastructure and recruiting forces. In the near future, the six Reserve area commands that oversaw Reserve recruiting and two of the four Active regions will be closed, leaving two regions in charge of both Active and Reserve recruiting. We have determined the most efficient design for the recruiting infrastructure and the headquarters workforce and will reduce the number of NRDs conducting mission operations. Through the 2005 Base Realignment and Closure process, 5 NRDs are slated for closure, with their territory being realigned to the remaining 26 districts. Our recruiting command realignment will be complete by June 2006.

We are also increasing the amount of enlistment bonuses for both prior service and non-prior service Reserve accessions. Congress raised the legislative cap from $10,000 to $20,000 for this important program that will be key to enhancing the attractiveness of service in the Reserves for those currently in our targeted ratings.

Other measures being taken to address our Reserve recruiting shortfall include implementation of expanded authorities provided by Congress in the National De-

fense Authorization Act (NDAA) for Fiscal Year 2006. These include: authority to pay Reserve Affiliation Bonuses in lump sum, enhanced high-priority unit assignment pay; and increases in the amount of the Reserve Montgomery G.I. Bill. Navy is also applying force-shaping tools to attract non-rated Reserve sailors to undermanned ratings.

National Call to Service

Another measure being taken to address our accession shortfall in the Navy Reserve is our increased use of the National Call to Service (NCS) Act enacted by Congress in the NDAA for Fiscal Year 2003. This program, which combines service in the Active and Reserve components, is enjoying considerable success and is helping to mitigate some of the prior-service shortage in ratings that are critical to the prosecution of global war on terrorism. Under this program, a recruit enlists for an Active-Duty commitment of 15 months after training. At the end of the commitment, the individual can either extend on Active-Duty or commit to 2 years of drilling in the Selected Reserve. Navy has been particularly aggressive in recruiting Masters at Arms and Hospital Corpsmen for this program and the first of those recruited will begin drilling in the Reserves this year. Navy's success in attracting recruits for this program is growing steadily. We took in 998 recruits in 13 ratings in fiscal year 2004, 1866 recruits in 23 ratings in fiscal year 2005 and this year we have a goal of 2,340 recruits in 45 different ratings.

Continuum of Service

The direct link between Active-Duty commitment and Reserve commitment in NCS is a model worth emulating. We are developing the concept of a continuum of service with a transition at the end of Active-Duty obligation to drilling with the Selected Reserve. By beginning the recruiting process while the sailor is still on Active-Duty, we significantly improve our chances of follow on affiliation with the Reserves.

New Enlisted Recruiting Initiatives

An area where our focus on quality is evident is our increasing emphasis on education. Additional education after high school is almost a requirement for success today. The market's desire for college education creates competition for the best and brightest, but also provides an opportunity for the Navy to capitalize on the many education benefits we offer. Navy is working this issue by targeting more recruits who already have college and by expanding programs that will help our sailors to further their education. In order to attract a broader, brighter and more diverse market of applicants, Navy is implementing a number of new recruiting initiatives:

College First

To meet the desire of America's youth for college education, as well as to prepare our recruits to meet Navy's increasingly demanding performance requirements, Navy has implemented the College First Program that was authorized by the NDAA for Fiscal Year 2005. Qualified recruits, who have committed to join the Navy and are in our DEP, can now start college and receive a stipend from the Navy. This program will help them earn credits toward a degree and should also result in lower attrition from the recruiting and recruit training pipelines.

Enlisted Bonus Cap Increase in Fiscal Year 2006

The importance of meeting SPECOPS/SPECWAR goals with our current very high tempo of operations cannot be overemphasized. These programs are exceptionally challenging and require special incentives to attract the right people. Congress raised the Enlistment Bonus cap from $20,000 to $40,000 and this will significantly improve our ability to attract the best recruits to these very demanding programs.

Improving Diversity

The Navy diversity strategy is aimed at creating and maintaining our Navy as a team whose people are treated with dignity and respect, are encouraged to lead and feel empowered to reach their full potential. The changing composition of the American workforce, with increased participation by women and minorities, will have significant impact upon the military. The changing demographics over the next two decades mean that we must work now to establish processes and programs to ensure that we have access to the full range of talent in our Nation. Navy has embarked on a force-wide diversity campaign plan to improve diversity up, down and across our organization. Specific initiatives are aligned under four focus areas of recruiting, growth and development, organizational alignment and communications. The intent of the plan is to operationalize diversity as a frontline issue by involving all Navy leadership and their commands in this effort, rather than delegating the

issue to the Manpower, Personnel, Training, and Education Organization. We are attempting to understand why we have diversity shortfalls in some communities, ratings and occupations, and how we can best improve and sustain representation in those areas. We also want to leverage our current diversity and build a culture which values "diversity of thought" at all levels. There are many initiatives tied to this effort. Nationwide "Navy Weeks" will increase our community outreach, to highlight Navy opportunities to potential recruits and get the Navy message to a larger segment of the population. Recruiting command is energizing programs to partner and network with diverse centers of influence to provide exposure to specific communities we are attempting to attract. We are improving our growth and development processes so we can ensure all of our sailors and civilians are growing equally and effectively and to maximize their talents in support of our mission. Diversity efforts are aimed at improving our retention processes so we can retain the top quality talent in whom we have invested. Lastly, we are continuing to stress in our communications that a diverse organization is a more effective organization, essential to current and future readiness. Executing the diversity strategy will be a long-term process; we are taking big steps each year as we streamline and improve all of the efforts that help us leverage our diverse Total Force.

"Heritage Recruiting"

The increased involvement in Nation building, development, and humanitarian relief efforts requires sailors with additional skill sets. The ability to speak other languages and understand cultural norms and values is very important. Navy recruiting is partnering with other Service Recruiting Commands to gather data on potential markets for heritage language speakers to supplement those traditionally assigned to intelligence gathering communities and other ratings likely to have contact with indigenous people.

To expand foreign language and cultural expertise capability and capacity in the total force, particularly in areas considered strategic, the Navy is implementing language-related accession and heritage-community recruiting goals. Tapping the strength of the Nation's rich diversity, the Heritage Language Program is designed to recruit native-level speakers of languages and dialects deemed critical to the global war on terrorism. To the extent practical, we will place these valuable assets in occupational specialties where their languages and dialects can be employed.

Increased Recruiting of Women for Technical Ratings

Representation of women in the Navy is important across all ratings to ensure women have appropriate promotion and leadership opportunities. Since fiscal year 2004, Chief of Naval Operations (CNO) Guidance has driven Navy recruiting to increase the number of women entering non-traditional and sea intensive ratings. Initiatives to support this effort include increasing the number of female recruiters and developing better marketing plans.

Active-Duty Officer Recruiting

Navy fills its Active-Duty officer ranks from several sources, including the Naval Academy, Navy Reserve Officer Training Corps (NROTC), Officer Candidate School, and Officer Indoctrination School.

Navy Recruiting Command has the mission for the latter three. Navy attained 84 percent of Active-Duty officer goals in fiscal year 2005 with shortages mostly in medical programs. The latter continue to be very challenging to recruit for because of high levels of compensation in the private sector and because of demographic shifts among new medical professionals towards higher numbers of women and older students with families. Both groups have a lower propensity for military service.

Reserve Officer Recruiting

The primary market for Reserve officers is Navy veterans. This limits the size of the market, particularly in an era when Active-Duty retention is very high. Consequently, Navy has not met its Reserve officer recruiting goal since fiscal year 2002. For medical programs, the same market and compensation issues challenging Active-Duty recruiting inhibit the ability to meet Reserve mission. There are additional objections which must be overcome; doctors with private practices are concerned that a prolonged recall to Active-Duty will cause them to lose patients and the compensation and benefits the Navy offers do not always offset the perceived risk to their practices.

Compensation Strategy

The compensation strategy must complement and be aligned with the strategy for our people and all associated sub-strategies (recruiting/accessions, training and edu-

cation, distribution, etc.). In an All-Volunteer Force environment the primary function of the compensation strategy must be to incentivize sailors to choose the behavior desired to meet the Navy's current and future needs. Our ability to attract and retain quality people is directly related to our ability to promote voluntarism in a challenging and dynamic environment. It follows the system must be market-based—flexible and responsive enough to address both expected and unexpected changes.

To be an "employer of choice" in an All-Volunteer Force environment means compensation must effectively function, i.e., compete, against the backdrop of the broader national (and often global) economy. The compensation policies that support this strategy must be rational and holistic, encompassing both tangible and intangible forms of compensation. They should support a system that is competitive, equitable, flexible, and sufficiently responsive to be effective in an ever changing operational and market environment. Sound implementation of the strategy will ensure cost-efficient stewardship of the commitments made by our personnel and the American taxpayers.

Overall, today's military compensation does succeed and is generally competitive in the market place. It is a product not of deliberate design, but rather more than 200 years of evolution. Since pays and entitlements are founded in statute and implemented through DOD-wide policy and regulation, change often comes slowly and incrementally. The current compensation system is best characterized as evolutionary, not revolutionary.

The men and women who serve are with us not through the coercion of conscription, but through voluntary decisions to enter and remain in military service. It is the innate ability, training, experience and motivation of our men and women that are the primary reasons for the Navy's superb capabilities. The compensation offered to both Active and Reserve members, coupled with patriotism and the willingness to serve are the most important factors affecting our ability to attract and retain qualified people.

FORCE SHAPING AND RETENTION

The elements necessary to achieve a properly sized and manned force are retaining personnel whose skill sets and experience are in demand and incentivizing the separation of personnel whose skill sets are in excess or for which a need is no longer foreseen. Our goal is to build a manpower, personnel, training, and education organization that can deliver the right sailor; with the right skills, experience, and training; to the right place, at the right time, for the best value. Achieving this goal requires a robust array of force shaping tools to carry out efficient force realignment within fiscal constraints and to remain an "Employer of Choice" in a dynamic, competitive marketplace. Congress's support has resulted in improving, enhancing, and adding to our force shaping tool kit. Improvements to Selective Reenlistment Bonus (SRB), Assignment Incentive Pay (AIP), nuclear officer bonuses, and Reserve component bonuses are all appreciated. "Authority enacted by Congress in the NDAA for Fiscal Year 2006 which provided incentives for targeted voluntary separations was an especially welcome addition to our toolkit."

Navy has employed a very carefully controlled, measured approach to the use of the above listed authorities. We use these force shaping authorities sparingly and as precision tools rather than as blunt force instruments. We also employ a progressive and cost effective approach when determining which "tools" to use:

- Retaining personnel in the skills we need,
- Shifting personnel from overmanned to undermanned skills through retraining and conversion,
- Transferring from Navy's Active component to valid Reserve component requirements, and
- Encouraging interservice transfers.

Under no circumstance should 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, adversely impacting our readiness. Retraining and converting personnel from overmanned skills to undermanned skills is our primary approach for retaining experienced personnel while simultaneously improving the balance of the force.

We are finding significant savings—and, indeed, significant efficiencies—right now by better aligning our personnel skill and experience mix with current fleet requirements.

In some cases, retraining and conversion are neither feasible nor cost-effective. Only after exhausting all logical retention options do we then consider encouraging

sailors whose experience levels and skills are "in excess" to voluntarily separate from the Service. To accomplish the latter, Navy has employed available force shaping tools to the fullest extent practicable: approving waivers for portions of minimum Active-Duty service requirements; authorizing 1-year waivers of the requirement to serve 3 years in pay grades O–5 and O–6 to be eligible to retire; employing our Perform-to-Serve Program for enlisted members in their first term; authorizing sailors who have made the decision to voluntarily leave the Navy to do so slightly ahead of the end of their current enlistments; and establishing High Year Tenure limits.

Perform to Serve

Three years ago, Navy introduced the Perform-to-Serve Program to align our Navy personnel inventory and skill sets by means of a centrally managed reenlistment program and to instill competition in the retention process. Perform-to-Serve encourages sailors to reenlist in ratings that offer more advancement opportunity. Perform-to-Serve features a centralized reenlistment and extension reservation system, which gives sailors other avenues to pursue success. Designed primarily with fleet input and 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 in which 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. Since inception, more than 3,300 sailors have been guided to undermanned ratings, and more than 52,000 have been approved for in-rate reenlistment. Our Perform-to-Serve and early transition programs are part of our deliberate, controlled, and responsible force-shaping strategy.

Navy Success in Retaining and Utilizing the Right People/Skills

Retaining the best and brightest sailors has always been a Navy core objective and key to mission success. We retain the right people by offering rewarding opportunities for professional growth, development, and leadership. Navy has experienced significant reenlistment improvement since a 20-year low in fiscal year 1999, reaching a peak at the end of fiscal year 2003.

Targeted special pays continue to have the strongest impact on reenlistments. Maintaining SRB funding is essential to sustained retention of critical skills. One specific area of challenge is Zone B retention (a category comprised of sailors with between 6 and 10 years service) in technically oriented ratings. Congress raised the legislative cap from $60,000 to $90,000 for Zone B, allowing selected ratings to increase their SRB multiples to target shortfalls.

Reduced Undesirable Attrition

Since 1999, we have made significant reductions in enlisted attrition. Specifically, we reduced Zone A attrition by nearly 37 percent (Zone A is comprised of sailors who have served for up to 6 years). We've also reduced attrition in Zones B (6–10 years) and C (10–15 years) by more than 50 percent.

This past year, leaders throughout our Navy successfully attacked the number one cause for Zone A attrition: illegal drug use. Despite a 9-percent increase in Navy-wide drug use testing, the number of individuals who tested and turned up positive has decreased by 20 percent since 2003. The result is attrition due to illegal drug use is no longer the leading cause for enlisted attrition. Current leading contributors to attrition are fraudulent enlistments into the Navy and medical disqualifications. We are exploring ways to reduce attrition in these areas as well.

With enlisted attrition near all time lows, we are benefiting from the highest quality workforce the Navy has ever had.

Assignment Incentive Pay

An integral part of our "Strategy for our People," Navy's AIP program is enhancing combat readiness by permitting market forces to efficiently distribute sailors where they are most needed. The success of AIP in attracting volunteers to difficult-to-fill geographic locations and jobs has led to the progressive elimination of non-monetary, but nonetheless costly, incentives such as awarding sea duty credit for assignment to hard-to-fill overseas shore duty billets. The result has been a growth in the available population of sailors eligible for assignment to sea duty without a concurrent increase in end strength. Navy will ultimately be able to allocate almost 10,000 additional sailors to sea duty who would previously have been locked into a shore duty assignment following an overseas tour of duty ashore. This will provide future readiness benefits in the form of better at-sea manning and a more efficient

use of sailors' acquired fleet experience. More importantly, challenging duty assignments can be filled without forced assignments.

The numbers of applications for AIP continue to grow as this adaptable and highly flexible authority allows us to address unique assignment and distribution challenges in a market-based manner by emphasizing and rewarding volunteerism. Today, 18-months after implementation of Navy's AIP program, its success is unequivocal. The "fill rate" of AIP jobs is almost ten percent higher than the Navy-wide rate, while the average bid since inception is $362 per month.

Perhaps there is no better example of the success of AIP and its ability to leverage volunteerism and the forces of the market place than its use in 2005 to respond to an emergent global war on terrorism requirement. In early May 2005, 259 Master-at-Arms sailors were needed to report to the detainee operations detachment in Guantanamo Bay, Cuba, for 12-month unaccompanied tours. By mid-May, Navy assignment officers had only been able to recruit 42 volunteers. AIP was subsequently implemented to attract volunteers to these assignments; 223 sailors volunteered with AIP as an incentive in just a 6-day assignment window. Of those, 40 of the 42 sailors who had previously volunteered based on receiving non-monetary "sea duty credit" toward a future ship-board tour, opted instead to bid for a billet with AIP and forego the non-monetary (and ultimately more expensive to the Navy) sea duty credit.

The AIP bid system is also currently used to incentivize extensions among personnel in designated continuity billets in dependent-restricted Bahrain and to attract volunteers for subsequent longer 18-month assignments. Bahrain is also the location of the first Navy application of AIP for officer assignments. Its use there will afford us an opportunity to evaluate the impact of market-based incentives in addressing future officer manning and distribution challenges.

With congressional support, we now have the authority to make lump-sum AIP payments, and an expanded payment cap of $3,000 per month that allows us to set and adjust the incentive to best match the nature of the assignment and the available labor pool. This expanded authority will significantly improve our ability to apply a valuable assignment tool to manning challenges and emergent requirements arising from the global war on terrorism.

Selective Reenlistment Bonuses

The SRB is without question our most successful and effective retention and force-shaping tool. It enables us to retain the right number of high quality sailors with the right skills and experience. While we have enjoyed much success in our retention efforts of recent years, we must not presume we can rest on these accomplishments or surrender to the notion that the tools, which made such successes possible, are no longer needed. SRB authority is sometimes questioned because of the funding required to support it. SRB directly supports Navy's emerging strategy for our people and enables us to selectively retain the sailors we need as we transform to a lean, high-tech, high capability, mission-centric force. More importantly, SRB affords Navy the ability to compete in a domestic labor market that is increasingly demanding of skilled, technically proficient, highly trainable, and adaptable personnel.

The Navy is at a crucial juncture in the transformation of our workforce. In the future we will recruit fewer generalists, and instead seek a predominantly technical and more experienced force. To that end, our SRB strategy has shifted from targeting general skill sets in zones A and B (17 months to 10 years) to focusing on specific skill sets across all zones (17 months to 14 years). Navy Enlisted Community Managers (ECMs) have applied increasing levels of analytical rigor to predicting and monitoring reenlistment requirements at a very granular skill level and by individual years of service [also called Length of Service Cells]. By monitoring actual reenlistment behavior in comparison to requirements, the ECMs review clear and unambiguous data flagging SRB performance and pointing to areas meriting increase or decrease. This ensures precious SRB dollars are applied only when and where needed based on requirements and outcome.

Congress raised the SRB cap from $60,000 to $90,000; we will ensure award level increases are applied in a prudent and fiscally responsible manner. This cap increase will initially allow us to adequately incentivize experienced nuclear-trained personnel to reenlist. We will later apply it to other skills as retention trends dictate. We save over $100,000 in training costs and retain 10 to 14 years of invaluable nuclear power plant experience for each one of these individuals SRB allows us to reenlist. Navy-wide, we also cannot laterally hire experienced technicians as Oracle or Microsoft can, but must grow from recruits and retain as journeymen from an internal labor market. Failure to fully fund the SRB program would create a long-term degradation in readiness. Congress' continued support for this vital program is necessary; we need fully funded SRB at the President's fiscal year 2007 requested

budget levels of $179.7 million for anniversary payments and $159.8 million for new payments.

Targeted Separation Incentives

With the enactment of the NDAA for Fiscal Year 2006, Congress provided a targeted voluntary separation incentive to help shape our force in the short-term while allowing us to maintain a positive tone that will not detract from recruiting and retention of talented professionals over the long-term. The addition of this authority goes a long way to filling the previously existing gap in our force-shaping toolkit, i.e., the lack of incentives to selectively target voluntary separations. Voluntary Separation Pay, while limited in its application through December 2008 to officers with more than 6 but less than 12 years of service, enhances our ability to properly shape the force, aids us in reducing officer excesses and ultimately saves the taxpayer money. We are aggressively working to field this new tool and reap the readiness benefits of its use.

With the continuing support of Congress—and reliance on the talents of America's men and women who choose to serve—the Navy will continue to build a force that is properly sized, balanced, and priced for tomorrow.

Foreign Language Proficiency Bonus

To incentivize the identification, development, and sustainment of proficiency in foreign languages, especially those considered strategic, we will award a Foreign Language Proficiency Bonus (FLPB) to the Total Force (Active, Reserve, and civilians) to the maximum extent allowable by law and consistent with current DOD policies. Navy instructions relative to FLPB are being updated to reflect both higher award levels and expanded eligibility.

OFFICER COMMUNITY MANAGEMENT

The officer community is trained and prepared to continue leading Navy Forces in support of the global war on terrorism. We are experiencing improved retention rates across most officer communities. This is attributable to the highly effective special and incentive pays enacted by Congress. These bonuses are essential to our ability to recruit and retain our officers.

Special Operations

At perhaps no other time in our Navy's history have the skills of our Special Operations officers and technicians played such a vital role in mission accomplishment. Since the events of September 11, 2001, the demand for their skills in Explosive Ordnance Disposal (EOD) Anti-terrorism and Force Protection has skyrocketed. Our Officer accessions are aligned to fill our EOD detachment officer in charge demands and require approximately 38 officers per year (fiscal years 2006/2007) accessed through a variety of sources including direct accessions as well as lateral transfers. Retention of SPECOPS officers is measured by the continuation of officers serving in years 6 through 11 of commissioned service. In fiscal year 2005, we retained 48 percent of our senior lieutenants and control grade officers, two percent shortfall from the goal. To address this shortfall we recently implemented a Critical Skill Retention Bonus (CSRB) of up to $75,000 to improve retention of EOD Lieutenants. Our Special Operations community is heavily involved in providing the operational and tactical leadership to our newly established Riverine Forces, the NECC and the Joint Improvised Explosive Device (IED) Defeat Organization.

Naval Special Warfare Officer Community

The Naval Special Warfare Officer (NSW) Community is manned at 95 percent of assigned billets. SEAL Officer accessions are currently averaging five applicants for every opening and new accessions are on track to meet increasing Officer Department Head requirement (SEAL Platoon commander) at the sixth year of commissioned service (YCS 6). The community now requires 34 department heads per year (76 percent retention rate across 6–11 YCS) based on increased growth in pay grades O–4 thru O–6. Fiscal year 2005 retention was 62 percent. Nonetheless, we currently face a number of manpower and personnel challenges at the O–4 and O–5 level. NSW currently has a shortage of 50 lieutenant commanders and 8 commanders. These shortages primarily result from the effects of Navy downsizing of all Officer accessions in the early 1990s. The Navy has used Naval Special Warfare Officer Continuation Pay since 1999 to successfully retain officers with 6–14 Years of Commissioned Service (YOCS). The Navy is evaluating options for closing the remaining gaps.

Seabee and Civil Engineer Corps

Seabee and Civil Engineer Corps communities are healthy and fully engaged in supporting global war on terrorism operational requirements. In the aggregate the Seabee community is 95 percent manned and the Civil Engineer Corps is 98 percent manned. Current Seabee attrition, retention and reenlistment behavior are trending in line with or better than average Navy levels while the Civil Engineer Corps has seen an increase in attrition. We continue to predict and forecast that additional incentive pays may be necessary to sustain current retention and reenlistment behavior based upon the current high OPTEMPO endured by our Seabees and Civil Engineer Corps officers. The Naval Construction Force Reserve Seabees and Civil Engineer Corps officers have experienced significant manning shortages and accession challenges. Reserve Seabee accessions have significantly missed goals for the past 3 years. The health of our Reserve component Seabees, Civil Engineer Corps and Naval Construction Force is imperative to the Navy's global war on terrorism support. The Navy MPT&E Enterprise is working on this challenge and has developed plans to guide this focused effort.

Next I'd like to discuss selected other officer communities:

Surface Warfare Officer Community

The Surface Warfare community's initial accession plan is designed to yield sufficient officers to meet the demand for department heads with about 7 years of cumulative service; in fiscal year 2006 we will bring in approximately 750 new Surface Warfare Officers (SWOs). This year Navy implemented a junior Surface Warfare CSRB to help meet community requirements for trained and experienced department heads (currently 275 per year). This program, in conjunction with the Surface Warfare Officer's Continuation Pay (SWOCP), targets officers reaching their first retention decision milestone and has been a very successful tool to persuade them to remain on Active-Duty through completion of mid-grade department head tours. The community is generally well-manned now except for a shortage of control grade officers. That shortage is being remedied with the help of a CSRB authorized by Congress. Continued CSRB support is key to long-term retention and proper shaping of this community.

Submarine Warfare Officer Community

As a direct result of improved junior officer retention, accession requirements have been reduced from 440 to 346 between fiscal year 2004 and fiscal year 2006. Although overall accession goals have been met for the past 6 years, significant challenges remain in recruiting high quality candidates into this technically demanding warfare community. The 5-year average retention rate for submarine junior officers has improved from 29 percent in fiscal year 2000 to 39 percent in fiscal year 2006 as a direct result of targeted Nuclear Officer Incentive Pay (NOIP) and Continuation Pay rate increases authorized since fiscal year 2001. Despite these significant improvements, retention has only fully met requirements once in the past 6 years. NOIP has proven to be an extremely effective tool over its more than 35-year history and is largely responsible for improving submarine officer retention. NOIP is widely viewed as DOD's model retention incentive program. It remains the surest, most cost-effective means of sustaining required retention and meeting fleet readiness requirements for high-quality, highly-trained officers.

Aviation Community

The fiscal year 2006 requirement for pilots and naval flight officers is 380. This reduction from previous years is due to reduced training attrition and fleet requirements. Fiscal year 2005 aviation retention was 47.8 percent through department head tours (at 12 years of commissioned service), a slight decrease from fiscal year 2004 but still well above the historical average of 40 percent. Retention has started to rise through the first quarter of fiscal year 2006 and currently stands at 51.8 percent. The excellent aviation retention figures can be attributed in large part to 5 consecutive years of congressional authorization for Aviation Career Continuation Pay (ACCP). 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.

Medical Communities

Navy medicine has been actively executing military-to-civilian conversions in fiscal year 2005, as directed by the Office of the Secretary of Defense. In addition, many of our medical personnel are directly involved in the global war on terrorism, and we are faced with several challenges in recruiting and retention. Specific community issues are as follows:

Medical Corps

As of December 2005, the Medical Corps dipped below end strength targets for the first time since 1998, with acute shortages in subspecialties critical to support wartime requirements and hospital operations. On the recruiting side, the Health Professions Scholarship Program, the primary student pipeline for medical corps officers, made 84 percent of goal during fiscal year 2004 and only made 56 percent of goal in fiscal year 2005. Early indications are fiscal year 2006 attainment will again fall far short of goal; Navy is considering an initiative for an HPSP accession bonus to attract applicants. Decreased accessions have not been able to make up for increased loss rates in retention among all specialties. Increased medical special pay rates have been offered for fiscal year 2006 but do not seem to be having a significant impact on increasing retention at this point.

Dental Corps

Dental Corps is significantly under end strength in the range of 5–13 years commissioned service. Dental accessions continue to be problematic. Retention rates for Dental Corps officers, reaching the end of their initial obligation, have steadily declined over the past 8 years. The Dental Corps is projected to lose 144 officers in fiscal year 2006, or 13 percent of the dental force. Residency training opportunities and significant increases in the Fiscal Year 2006 Dental Officer Multi-year Retention Bonus are being used to try to retain dental officers for long-term service. We are considering establishing a CSRB, under existing statutory authority, to help reduce junior officer losses after completion of their initial obligation. Initiative has been submitted and funding is available for this CSRB.

Medical Service Corps

The Medical Service Corps accesses to vacancies in subspecialties, and direct accessions are market-driven. Last year the Medical Service Corps fell short of their direct accession goal by 30 percent, directly impacting ability to meet current mission requirements. Retention of specialized professionals such as clinical psychologists, pharmacists, and podiatrists has been the greatest challenge. Licensed clinical psychologists have experienced an increasingly heavy OPTEMPO and the resulting loss rates are signified. Health Professions Loan Repayment Program has been implemented as an accession and retention tool to attract and retain critical specialties with some success. Additionally, the community is requesting authority for CSRBs to retain officers in critically undermanned specialties.

Nurse Corps

National nursing shortages and competition with other Services have resulted in shortfalls in Navy Nurse Corps accessions over the last 2 years. To counter this, in 2006 we have increased levels for both the Nurse Accession Bonus and the Nurse Candidate Program. Retention of Nurse Corps officers also poses a significant challenge. Retention rates after initial obligation range from 60–72 percent and decrease even further beyond 5 years of service. The Health Professions Loan Repayment Program is being used to attract and retain Nurse Corps officers and is drawing significant interest. The Nurse Corps community is also studying options for a CSRB in specific surgical subspecialties.

Joint Officer Development and Management

The future of national and international security rests with interoperability and cooperation among the Services, interagency, international partners and nongovernmental organizations. Naval forces bring to the fight unique maritime and expeditionary prowess. The Navy-Marine Corps Team will continue to enhance its joint warfighting readiness with expeditionary agility, flexibility, and lethality, while working closely with these interagency, international, and nongovernmental organizations to promote peace, stability, and U.S. interests. Navy seeks fully qualified and inherently joint leadership forces that are skilled joint warfighters and strategically minded critical thinkers. We will plan for, prepare, and assign high quality officer and senior enlisted personnel to joint positions to enhance joint warfighting readiness. We will develop leaders with professional qualifications and skills needed in the joint environment to achieve their full potential, so that national and joint decisionmakers seek out Navy Joint warfighters as trusted advisors and key staff members, and all national and theater campaign strategies, plans, operations, and activities fully address maritime considerations and utilize the strengths of the maritime force. The Navy fully supports the Chairman's Vision for Joint Officer Development and DOD's Strategic Plan for Joint Officer Management and Joint Officer Development.

Civilian Community Management

National Security Personnel System (NSPS) will provide new civil service rules for the over 700,000 DOD civilian workers. It will strengthen our ability to accomplish the mission in an ever-changing national security environment. NSPS accelerates the Department's efforts to create a Total Force, operating as one cohesive unit, with each performing the work most suitable to their skills. DON needs a human resources system that appropriately recognizes and rewards employee performance and the contributions they make to the DOD mission. NSPS will give us better tools to attract and retain the best employees.

REVOLUTION IN TRAINING

The key to our operational prowess is a properly trained, educated, and ready force. In 2002, the Navy launched the Revolution in Training (RIT) to revitalize training and education to deliver the right skills, to the right sailors, at the right time and at the best cost. The RIT continues and will ultimately deliver individual assessment capabilities, simulation, and adaptive learning technologies to produce a dynamic and responsive individual training system. It also provides the foundation for a fully integrated manpower, personnel, training, and education system. The overarching integration will be accomplished through Sea Warrior, which encompasses the Navy's training, education, and career-management systems. The RIT has three underlying concepts embedded in its approach: the Human Performance Systems Model (HPSM), the Science of Learning (SL) and the Integrated Learning Environment (ILE).

Human Performance Systems Model

A "systems approach," HPSM is a cyclical model that defines organization and individual performance requirements, establishes how best to achieve this performance, develops the necessary tools or products to enable this performance, implements the solution set, and provides feedback based on an evaluation of the outcomes. HPSM may best be described as a systematic method for finding cost-effective ways to enable people to perform their jobs better by focusing on selecting the right interventions based on root cause and true requirements.

Science of Learning

The SL will transform the Navy's training and education environments by applying the latest advances in technology and educational psychology to the learning process. It will move Navy training and education from a lecture, listen, learn format to a more active learning process through which sailors will receive feedback necessary to improve their performance.

Integrated Learning Environment

The ILE is the means by which we will provide individually tailored, high quality learning and electronic performance aids in order to allow the best fit between the worker and the work to be performed.

PROFESSIONAL MILITARY EDUCATION

Education is a key enabler in developing the competencies, professional knowledge, and critical thinking skills to deliver combat-ready naval forces to meet joint warfighting requirements of the Navy. In July 2004, we established the Professional Military Education Continuum to provide the framework for life-long learning that enables mission accomplishment and provides for personal and professional development. The continuum integrates Advanced Education (beyond the secondary level), Navy-specific Professional Military Education, Joint Professional Military Education (JPME) and leadership development. It is focused on ensuring future leaders have the knowledge base to think through uncertainty; drive innovation; fully exploit advanced technologies, systems and platforms; understand the culture, environment and language of the battle space; conduct operations as a coherently joint force; and practice effects-based thinking and operations. It applies to all sailors. Specific education opportunities to provide learning solutions sequenced to meet growing and changing roles and requirements throughout a career are being phased in across multiple years.

We are sharpening our focus on requirements linked to competencies and capabilities to better prepare more capable sailors for joint warfighting. We are also focused on integrating education achievements into a career development system to ensure the ability to plan and track growth, and measure competency attainment.

Flexible Learning Options

Internet or computer-based delivery of course material remains an important focus of our effort to make educational material readily available to all of our people both ashore and afloat. The Naval Postgraduate School, Naval War College, and Center for Naval Leadership are endeavoring to increase non-resident opportunities to enable education anytime, anywhere to accommodate busy careers that do not always allow time for resident education. Naval Postgraduate School distance learning options include select degree programs; non-degree certificate programs that provide a concentrated focus in a specific field, for example: space systems, information systems and operations, and anti-submarine warfare; and individual courses. Naval War College is employing web-enabled, CD–ROM and Fleet Concentration Area Seminar programs to provide maritime focused Joint Professional Military Education at a distance. Naval War College JPME courses have been embedded into many of the degree programs at Naval Postgraduate School. The Center for Naval Leadership continues to develop online opportunities for all sailors to complete Leadership Education as a part of their career development. Our content is dynamic and reflects the most current leadership theories and principles.

While we continue to promote non-resident learning opportunities for our force, our fiscal year 2007 budget also requests funds to allow us to increase the number of officers we will send in-residence to Naval Postgraduate School for technical, analytical, and regional area studies programs. The latter supports our FAO program, which promotes graduate degrees in regional area studies.

The Navy College Program continues to provide opportunities for sailors to earn college degrees while on Active-Duty. Partnerships with colleges and universities leverage academic credit recommended for Navy training and experience and offer rating related associate and bachelors degrees through distance learning. The Navy College Program for Afloat College Education makes it possible for sailors to pursue courses at sea and in remote locations at no tuition cost to themselves.

Joint Professional Military Education

In the fiscal year 2007 budget, we expand resident service college opportunities to enhance Navy's ability to provide unique and complementary warfighting from the sea to Joint Force Commanders. The expansion enables Navy to ensure the appropriate service composition requirements for certification of senior service college instruction of JPME Phase II as authorized by the Ronald W. Reagan NDAA for Fiscal Year 2005. Additionally, the expansion supports the Navy's new requirement for completion of JPME Phase I for Unrestricted Line Officer Commander Command beginning with Command Screen Boards in 2008.

Culture of Effects-Based Thinkers

In keeping with The Strategy for Our People, we are in the process of moving towards a capabilities-based and competency-focused learning continuum whose education programs will result in measurable mission capability while enabling personal and professional development. A key area we are addressing is the development of a culture of effects-based thinkers and operators who evaluate effect as a measure of execution by focusing on desired outcomes and root causes, measuring results, and making appropriate adjustments. Updated Naval Postgraduate School, Naval War College, and executive learning program curricula provide essential learning building blocks while we continue to expand and sequence course offerings to ensure a full continuum of the appropriate learning.

SAILOR QUALITY-OF-LIFE

Commitment to personal and family readiness is fundamental to sustaining a combat-ready naval force. Our success in the Nation's defense depends on the entire Navy community—Active, Reserve, civilian, and their families. The frequent deployments of our highly mobile force places considerable stress upon our sailors and their families. Our deployed servicemembers characteristically enjoy high morale and pride. They value the opportunity to use their training in real world missions and realize a sense of accomplishment that contributes to positive attitudes and is reflected in their decisions to reenlist in the Navy. At the same time, however, the family separation and high OPTEMPO place great stress upon them and their families. Our challenge is clear. We must provide effective, responsive programs and services to our sailors and their families to mitigate the negative factors.

Predatory Lending

An issue that is becoming a significant concern to Navy leadership: Navy leadership is very concerned over the serious problem of predatory lending practices and the impact on financial and personal readiness of sailors and families. Predatory

lending occurs when a lender takes unfair advantage of a borrower through deception, fraud or loans containing extremely high interest rates or fees. Our junior sailors and families are particularly vulnerable as they find themselves short of money between paydays to pay essential expenses such as rent, groceries, utility bills, unexpected expenses, and car payments. For example in our research we have found personal predatory loans with interest rates as high as 2,146 percent, 1,288 percent, and 782 percent.

The use of these "bridge" loans, with exorbitant interest rates, leads to a downward cycle of more borrowing and increased indebtedness. Not only does it result in continued financial hardship and damage to credit but it also seriously impacts unit morale and personal and family readiness. The CNO has challenged leadership to develop and aggressively implement a plan to improve consumer education and personal financial counseling for military personnel in order to increase awareness of the practice and risks and to assist in recovery for those who have fallen into this downward financial spiral.

State laws vary widely in their oversight and control of commercial lending practices. This is a complicated challenge to personal readiness that deserves the attention of a diverse group of experts including financial industry professionals, legislators, and State government officials. We seek your support in encouraging a coalition of leadership in government, the commercial sector, nonprofit agencies and the military services to curtail and constrain predatory lending practices. I am prepared to partner with Congress in seeking means to effectively address this serious problem.

Task Force Navy Family

The lives of more than 88,000 Navy personnel, retirees, and immediate family members were severely disrupted by Hurricanes Katrina and Rita. Task Force Navy Family leveraged existing agencies and local community support centers to assist our personnel. While we still have cases outstanding, we have transitioned the Task Force to Commander, Navy Installations Command for follow-up. This effort to respond to the crisis in "our own backyard" has been a reminder of the importance we place on the family and has also provided several lessons learned we could employ in case of future catastrophic events.

Personal and Family Readiness Initiative

Commander, Navy Installations Command and I recently established a Personal and Family Readiness Program Board of Directors. Actionable issues are identified, analyzed by a Family Readiness Program Advisory Council and implemented by the Board of Directors. I am enthusiastic about the significant opportunity to identify real needs and workable solutions to improve quality-of-service and life issues for our Navy family.

Child Development and Youth Programs

Sailors and their families continue to rank the need for Child and Youth Programs (CYP) very high. This program is now an integral support system for mission readiness and deployments. To help 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 to licensed civilian community childcare programs. To meet the needs of shift workers and watch standers, we piloted several programs; including the addition of around-the-clock in-home care providers, as well as two new child development group homes. Following the success of those pilot programs, we are expanding those initiatives at several additional sites.

The DOD goal is to provide CYP spaces to meet 80 percent of the potential need for ages 0 to 12 by fiscal year 2007. The Navy potential need has been calculated as 65,858 spaces. Navy CYP achieved 69 percent of that potential need in fiscal year 2005 and with added spaces will reach 71 percent in fiscal year 2006. The CYP waiting list in fiscal year 2005 was 7,908, up 19 percent since fiscal year 2003. The new Youth Program DOD Instruction directs the implementation of performance standards and eventual DOD certification similar to the current requirements for children under 12. This requirement will add to the overall future funding requirements for Navy CYP. Also in fiscal year 2005, we achieved 100 percent DOD certification and 96 percent accreditation of our child development centers by the National Association for the Education of Young Children. Our objective for fiscal year 2006 is to ensure all Navy child development centers and school age care programs are accredited. This tells our Navy families their children are receiving top quality care that equals or exceeds the highest national standards.

Caring for Our People

Navy maintains a longstanding and proud tradition of "taking care of our own" by providing prompt and compassionate care to sailors and their families in times of crisis. In the past, we have measured our success by how quickly we could certify benefits and entitlements and by how expeditiously we could transport families to the bedsides of their seriously ill or injured sailors. These traditional metrics, while still important, are insufficient and do not fully address what our families need and deserve. Through careful research and collaboration with the Department of Veterans' Affairs, Social Security Administration, and the other Services, we have identified additional areas of focus. We have set ourselves goals to improve our casualty reporting process and to provide better and more personal oversight of casualty cases. We also endeavor to maintain our benefits certification efficiency and to improve case management effectiveness.

Traumatic Servicemembers' Group Life Insurance

We are extremely grateful for your efforts in enacting the Traumatic Servicemembers' Group Life Insurance (TSGLI) program, which is essential to our ability to provide appropriate and well-deserved support for our severely injured personnel. Navy implemented TSGLI in December 2005, and it is providing much needed financial support to our wounded heroes and their families as they deal with expenses incurred during convalescence.

Safe Harbor Program

This past summer, Navy established the "Safe Harbor" program, designed to have senior staff personally visit and assist our seriously injured sailors and their families. Our commitment is to a seamless transition from arrival at a continental United States (CONUS) medical treatment facility, throughout medical treatment, and then in subsequent rehabilitation and recovery. Since instituting this program, we have contacted every sailor who has been seriously injured since September 11, 2001. Twenty-six of them asked to have their names placed on our Active follow-up list and are periodically contacted. When Hurricane Katrina struck, we identified and contacted all seriously injured sailors who were residents in the affected area to offer them assistance and attend to their needs and those of their families. Since then, we have established a toll-free number and set up a Web site to further speed access to information and facilitate contact with our program office personnel. We are committed to maintaining personal links with our seriously injured sailors, sustaining effective follow up programs and doing everything in our power to advance the quality of their care and the support to their families.

Care of All Returning Sailors and their Families

Navy has long been in the business of preparing sailors and family members with pre-, mid-, and post-deployment briefings and services. In view of the recent research on the needs of our returning servicemembers and their families, as well as CNO's commitment to personal and family readiness, we have fine tuned those programs and services to ease return from deployment or mobilization. We have met increased demand for our return and reunion programs in which Fleet and Family Support Center teams embark upon returning ships, in transit, to provide educational briefings, workshops, and consultation for our personnel. These programs focus on re-establishment of personal and family relationships, understanding behavioral and developmental stages of children, effective parenting strategies and financial management. Command leaders are trained to identify post-deployment stress symptoms and refer personnel for treatment.

Sexual Assault Victim Intervention

Sexual assault prevention, victim assistance, and treatment are top priority efforts throughout the Navy and our Sexual Assault Victim Intervention (SAVI) program has been recognized as a model for over a decade. We enforce a zero tolerance policy while continually striving to improve support for victims.

Navy contributed significantly to the work of the DOD Care for Victims of Sexual Assault Task Force and fully supports enhancements enacted in the Ronald W. Reagan NDAA for Fiscal Year 2005. This past year, we aggressively implemented DOD's joint service policy changes based on Task Force recommendations. Navy has adopted revised definitions, provided additional Sexual Assault Response and Prevention specialists in the field, upgraded command and victim advocate training, improved reporting and leadership awareness, strengthened the effectiveness of the program through implementation of confidential reporting procedures, and implemented a case management approach to improve sexual assault response and prevention capabilities.

Transition Assistance Management Program

The Navy Transition Assistance Management Program (TAMP) coordinates post-military employment assistance workshops, veterans' benefit seminars, and disability entitlements briefings at 65 shore-based sites worldwide and aboard ships at sea. These specialized classes assist our sailors and their family members as they prepare to transition to civilian life or formulate decisions to remain on Active-Duty. In fiscal year 2005, we expanded Veterans' Affairs benefit counseling to our deployed personnel operating in Navy Region Southwest Asia and developed a web-based training curriculum for command career counselors to improve pre-separation counseling. We also implemented military life-cycle career development seminars for first-term and mid-career sailors and placed increased emphasis on developing and providing assistance to our demobilizing Reserve component and war-wounded sailors.

Culture of Fitness—Fit for Duty, Fit for Life—Cornerstone of Personal Readiness

The Navy fitness program provides members of the Navy community ready access to high quality fitness programs, equipment, and facilities dedicated to meeting their total fitness needs. Morale, Welfare, and Recreation (MWR) maintains 145 fitness centers, more than 200 indoor basketball courts, over 300 racquetball courts, 150 swimming pools, and thousands of outdoor sports facilities, including softball/football/soccer fields, tennis/volleyball courts and running tracks. MWR fitness incorporates all elements of personal and group fitness activities such as cardio and weight training, intramural (team and individual) sports, group exercise (e.g., aerobics, step, martial arts, yoga) classes, personal training, group and individual fitness testing and programming, aquatic activities, swimming, and special events (e.g., runs, tri/biathlons, track meets, swim meets). In fiscal year 2005, Navy MWR centrally funded and procured over 868 pieces of fitness equipment for 54 Operational Support Centers. This action completed an initiative that outfitted all 134 Navy Reserve Centers with fitness equipment to enable personnel to maintain proper fitness levels and adopt healthy lifestyle changes.

MWR Fleet Readiness

The MWR Fleet Readiness Program remains the cornerstone of MWR. We continue to use a variety of funding and equipment initiatives to ensure that the fleet has the MWR support it needs. We used allocations and supplemental funding to enhance our fitness and recreation support to deployed forces at sea and ashore. In fiscal year 2005, we began expanding our Civilian Afloat Program that provides recreation and fitness professionals, who live and work onboard our aircraft carriers, amphibious assault ships and submarine tenders, to enhance shipboard habitability and promote positive use of off-duty time. Feedback from the fleet remains very positive as reflected in customer surveys and reports from commanding officers.

We also developed and conducted an Importance-Performance Program Assessment to measure the overall effectiveness of the Fleet Readiness Program by providing an understanding of what sailors perceive to be the most and least important components of service delivery and service performance. Over 10,000 sailors participated in this valuable program assessment for Afloat Recreation, Fitness and Liberty programs. This data will serve as our baseline in establishing various performance metrics as we move forward with our "Focus on the Fleet" initiatives.

The top rated MWR program and service for fleet sailors over the past several years remains access to electronic mail (e-mail) and Internet connectivity. The Library Multimedia Resource Center (LMRC) on each ship is the delivery point for this service. We completed the total fleet LMRC replacement and upgrade in fiscal year 2005 with the purchase and distribution of an additional 1,950 laptops and other related equipments.

Navy Movie Program

The Navy Movie program supports one of the most popular recreational activities for Active-Duty personnel and their families, with attendance figures of 2.7 million patrons ashore and 23 million viewing hours afloat. We distributed 192 movie titles to 800 Navy fleet and shore sites, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, Military Sealift Command, and Department of State locations. This consisted of 150,000 videotapes, 5,500 35mm prints, 30 early tape releases to forward-deployed ships, and 30 first-run features to CONUS base theaters, 2 weeks after the U.S. premiere. The Navy Movie program conducted 13 free sneak previews at CONUS base theaters, attended by 110,000 sailors and family members. The movie program continues to evolve to stay current with technology changes. In a cooperative effort with the Naval Media Center, we have established digital for-

mat requirements to replace analog tapes, and will begin deploying them later this year.

CONCLUSION

As we reshape and adapt the U.S. Navy to defeat emerging threats, it continues to be the predominant naval force in the world. At the very heart of that Navy, people, Active and Reserve, military and civilian, remain our greatest strength and the most fundamental element of our readiness and success. They, and their families, are making daily sacrifices to protect this Nation and to prosecute the global war on terrorism. These patriotic and professional Americans continue to perform brilliantly and you have every reason to be proud of them.

We often think of the 21st century as the future. It is not. It is today. The sailors, civil servants, and contractors that will support joint missions in the future are entering the workforce and Navy today. What we do today—the decisions we make, the constraints we live under—will determine what we are capable of in the future.

If we are to succeed in defining, developing and delivering the workforce required in the future, we must examine today's practices and make necessary changes now. For example, in order to continue to respond effectively to new and increased mission areas, we will analyze our manpower requirements to determine if we need to move to a different officer/enlisted mix or a more senior mix within the officer or enlisted structure. This analysis will include evaluating and analyzing the impact of current Defense Officer Personnel Management Act control grade ceilings and considering the need for relief from these constraints.

We will continue to look at our compensation strategy to ensure it is the right compensation strategy for 2020–2025 given our changing demographics. A compensation system for that timeframe must acknowledge that our future lies with the All-Volunteer Force, and must therefore emphasize volunteerism. We must shift our focus to competency, performance and skill-based compensation and away from longevity and rank. We need to refocus away from deferred compensation and instead optimize the current compensation in a manner that creates a "push" to a full career (as opposed to the current cliff-vested retirement's "pull" to full career). Major bonus programs should remain separate and intact in the near term (e.g. SRB, community-specific bonuses) with a long-term eye toward rational consolidation into a select number of broad, flexible authorities applied with agility in response to "market conditions."

We must devise "on ramps and off ramps" to facilitate smooth transition between Active-Duty, Reserve duty, and civil service. We need to compensate the total workforce we want in peace & wartime. Our future compensation strategy must incentivize voluntary acquisition and effective utilization of skills/competencies for a diverse workforce, while enhancing service flexibility and discretion vis-a-vis statutory ceilings to provide room for future growth ahead of the power curve in a rapidly changing environment. Such a system must also incentivize voluntary transitions/separation of careerists and support the Service's ability to pilot and demonstrate new business practices.

We are grateful for your commitment to the men and women of the U.S. Navy and to the programs that make them the premier maritime fighting force and sustains them and their families. On behalf of all Navy sailors and civil servants, and their families, I'd like to thank Congress for its continuing and unwavering support.

Senator GRAHAM. General Osman.

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

General OSMAN. Chairman Graham, Senator Nelson, I, also, thank you for the opportunity to appear before this subcommittee today to bring you some good news about your marines.

Since 1967, when I joined the Marine Corps, I've had an opportunity to work with and observe marines from a number of generations—World War II, Korea, Vietnam, certainly the first batch of All-Volunteers, and, of course, the marines that have deployed to the Middle East over the past 20-plus years. I have to tell you that I've never seen a finer marine than the marine that we have today. He's a true volunteer. He believes in what he's doing. He has a

sense of dedication and a level of professionalism that often belies his youth. He has a genuine love for his Nation, for his Corps, and for his fellow marine. This truly sets him apart, in my eyes.

My written statement is pretty positive, because things are good. Certainly we have some challenges. There are some things we want to address. Things aren't perfect, but they are very good. I credit this to that wonderful young marine that we have today, to the support that we've given to his family, which is very important, to the way we've been able to integrate our Active and Reserve components into truly a Total Force, and, finally, for the great support that Congress has given us, in the form of the right legislation, in the form of budgets and supplementals that allow us to operate today, and, finally, for your strong moral support. We couldn't do it without you.

Thank you very much, gentlemen. I look forward to your questions.

[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.

INTRODUCTION

We remain a Corps of Marines at war with over 39,000 marines deployed to dozens of countries around the globe. Your marines are performing magnificently in no small part due to your support and the realization that they have the support of the American people. The young men and women who fill our ranks today recognize the global, protracted, and lethal nature of the challenges facing our Nation, and their dedicated service and sacrifice rivals that of any generation preceding them.

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 United States Marine Corps (USMC) 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. Thank you for your efforts to ensure that your marines and their families are poised to continue to respond to the Nation's call in the manner Americans expect of them.

The 25,000 marines and sailors under the command of II Marine Expeditionary Force (MEF) in the Al Anbar Province, Iraq and those marines assigned to transition teams have made significant progress in their efforts to develop capable, credible Iraqi Security Forces. In setting the conditions for the historic constitutional referendum and national elections, they have also distinguished themselves with valor and distinction in places like Fallujah, Ramadi, and the Euphrates River Valley. In Afghanistan, we have 1,200 marines and sailors continuing to provide support to the increasingly capable Afghan National Army. As part of the Combined Joint Task Force-76 (CJTF–76), a marine infantry battalion has conducted operations against the Taliban and Anti-Coalition Militia in the north-eastern portion of the country. Marine officers and senior enlisted leaders continue to train, mentor, and operate with their Afghan counterparts as part of Task Force Phoenix.

The success of our marines in the current fight is the result of time-tested methods. Today, we continue to recruit quality Americans who are infused into a culture that requires them to think independently and act aggressively in chaotic and unpredictable environments where information is neither complete nor certain. We rigorously train these young marines to perform under adverse circumstances, and to accept greater responsibility as part of a team. We educate our marines and their leaders to prepare their minds for the intellectual component of the clash of wills and chaos inherent to combat. Our fundamental tenet—every marine a rifleman—continues to serve as the foundation for all our training, and provides the common core that defines every marine. I know you share my pride in the young men and women we are fortunate to have in our Corps of Marines.

Your marines have proven equally capable of responding in support of humanitarian operations. In the aftermath of Hurricane Katrina and following the earth-

quake in Pakistan, marines were quickly on the scene. In response to Katrina, 2,650 marines and sailors, from our Active and Reserve components deployed to conduct search and rescue, humanitarian relief, and disaster recovery operations in Louisiana and Mississippi. Survivors were rescued, streets were cleared, food and water was distributed, transportation provided, and medical care administered in six separate locations. Our contribution totaled 815 helicopter sorties which transported 1.1 million tons of cargo and 5,248 survivors. We conducted 446 rescue missions, rescuing 1,467 people. After the devastating earthquake in Pakistan, your marines deployed to the cities of Shinkiari and Muzaffarabad providing a hospital, helicopter support teams, and air traffic control in support of the CJTF. The marines and sailors treated more than 11,600 patients.

The Nation is receiving a superb return on its investment in the world's finest expeditionary force. Nearly one in three marines of our operating forces is today forward deployed or forward based protecting America's interests. This contribution remains distinctly out of proportion to the 4 percent share of the Department of Defense (DOD) budget the Marine Corps typically receives.

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 they are receiving the opportunity to do that.

Warfighting Initiatives

On 28 October 2005, the Secretary of Defense approved a Marine component within Special Operations Command (MARSOC). The new Marine component will provide approximately 2,600 USMC/Navy billets within U.S. Special Operations Command (SOCOM), led by a Marine major general. The MARSOC will provide additional capability to SOCOM by adding forces that will conduct direct action, special reconnaissance, counterterrorism, and foreign internal defense. MARSOC will include organic fires integration, combat support, and logistics capabilities. Additionally, Marine Corps Special Operations Forces linked to the Marine Expeditionary Unit will provide a scalable worldwide maritime special operations force presence for SOCOM. The current plan provides the MARSOC to SOCOM with an initial operational capability during the spring of 2006 and a full operational capability by 2010.

In 2004, we conducted an extensive force structure review recommending approximately 15,000 structure changes to improve the Marine Corps' ability to meet the long-term needs of the global war on terrorism and the emerging requirements of the 21st century. This effort was end strength and structure neutral—offsets to balance these increases in capabilities come from military to civilian conversions and the disestablishment and reorganization of less critical capabilities. For example, we are assigning each artillery regiment a secondary mission to conduct civil military operations (CMO). To do this, each regiment will be augmented by a Reserve civil affairs capability. By assigning a secondary CMO mission to artillery units, we have augmented our high-demand/low density civil affairs capability while retaining much needed artillery units.

This spring, we will be conducting an even more comprehensive initiative to determine what capabilities we must have in your Marine Corps of the future and in what capacity. We are conducting this review to ensure we are fully prepared for irregular warfare and as we adjust to the establishment of MARSOC, our decision to man infantry battalions at 100 percent, and the potential reduction of authorized end strength.

End Strength

The Marine Corps greatly appreciates the increase in end strength to 179,000 as authorized in the National Defense Authorization Act (NDAA) for Fiscal Year 2006. If appropriated, we will use this additional end strength to help implement our force structure initiatives, to support the global war on terrorism. Currently, our program of record requires that we internally fund any end strength in excess of 175,000 marines. We are resourcing these additional costs through supplemental funding.

Military-to-Civilian Conversions

The Marine Corps continues to pursue sensible military-to-civilian conversions in support of Marine Corps warfighting initiatives. These conversions increase the number of marines in the operating force and help reduce stress on the force. Funding remains a critical issue to the success of this initiative; cuts in both the Appropriations Bill for Fiscal Year 2005 (35 million) and Appropriations Bill for Fiscal Year 2006 (20 million) has decreased our ability to execute our planned fiscal year 2005 conversion program and will reduce our planned fiscal year 2006 conversions.

Funding

The President's fiscal year 2007 budget provides for a Total Force of 175,000 Active-Duty marines, 39,600 Reserve marines, and approximately 14,000 appropriated fund civilian marines. Approximately, 61 percent of Marine Corps Total Obligation Authority is targeted toward military pay, retired pay accrual, Basic Allowance for Housing, defense health care, Basic Allowance for Subsistence, Permanent Change of Station relocations, and special 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 Bonus. 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 2007, we are requesting $55.4 million, up from $53.1 million in fiscal year 2006. 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 derived great results from our SRB efforts in the infantry Military Occupational Specialties (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. Congress' continued support of our SRB program is critical to the continued health of your Marine Corps.

Compensation

The Marine Corps appreciates the efforts by this subcommittee to raise the standard of living for our marines. Being a Marine is both 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 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 appropriate increases in basic pay and to ensure a sound comprehensive compensation and entitlements structure greatly assists efforts to recruit and retain the quality Americans you expect in your Corps. As the Defense Advisory Committee on Military Compensation concludes its review, we look forward to a complete and thorough analysis of their recommendations during the Quadrennial Review of Military Compensation.

RECRUITING

Active Component

In fiscal year 2005, the Marine Corps achieved 100.1 percent of the enlisted shipping (accession) objective. Nearly 96 percent of those shipped to recruit training were Tier 1 high school diploma graduates, above the DOD and Marine Corps standards of 90 percent and 95 percent, respectively. In addition, 70 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. As of 31 January 2006, we have shipped (accessed) 9,836 marines which represents 102 percent of our shipping mission. We fully anticipate meeting our annual mission. With regard to our self-imposed contracting mission, we are ahead of our current plan for the year and expect to meet our objectives. Concerning officers, we accessed 1,425 in fiscal year 2005, 100 percent of mission, and we are on course to make our officer accession mission in fiscal year 2006.

Reserve Component

The Marine Corps similarly achieved its fiscal year 2005 Reserve enlisted recruiting goals with the accession of 5,927 non-prior service marines and 2,259 prior service marines. As of 31 January 2006, we have accessed 1,668 non-prior service and 800 prior service marines, which reflects 28 percent and 39 percent of our annual mission, respectively. Again, we project to meet our Reserve recruiting goals this year. Officer recruiting and retention for our Selected Marine Corps Reserve units

is traditionally our greatest challenge, and remains the same this year. The challenge continues to exist primarily due to the low attrition rate for company grade officers from the Active Force. We recruit Reserve officers exclusively from the ranks of those who have first served a tour as an Active-Duty marine officer. We continue to explore methods to increase the Reserve participation of company grade officers to include the use of increased command focus on Reserve participation upon leaving Active-Duty and Reserve officer programs for qualified enlisted marines. Your support of legislation to authorize the payment of the Reserve officer affiliation bonus has helped in this effort.

Accomplishing the Mission

The Marine Corps' recruiting environment continues to be highly competitive and challenging. Low unemployment, lower propensity to enlist and higher costs in advertising continue to foster the need for innovation in marketing the Marine Corps. We continue to market intangible benefits by projecting the Marine Corps message of "tough, smart, elite warrior," focused on the "transformation" that a young man or woman makes to become a marine. 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. We continue to attempt to inform and influence the parents of potential applicants. Parents continue to have the greatest influence on young men and women in their decision to serve their country, and it is important that we educate them on the benefits of serving in the Marine Corps.

Our message is reinforced through marketing and advertising programs—paid media, leads for recruiters, and effective recruiter support materials. 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.

Finally, a very important factor in our success lies in ensuring clear and direct responsibility and oversight. The Commanding Generals of our Marine Corps recruiting regions are "dual-hatted" as the Commanding Generals of our training depots, responsible for obtaining the right high quality individual and seeing them through initial training until they earn the title marine. Consistent with this, our recruiters' commitment to recruiting quality recruits is reinforced by the fact that they are held accountable for recruits' successful completion of "boot camp."

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

As we continue our fight on the global war on terrorism, we recognize that achieving our enlisted retention goals is of national importance for the Marine Corps, our senior civilian and military leaders, and the American people. History has proven that the enlisted leadership in our Noncommissioned Officer (NCO) and Staff NCO ranks is the cornerstone to our Marine Corps' combat effectiveness on today's battlefield.

The Marine Corps is a youthful service by design and retaining the highest quality marines to lead our force remains of paramount importance. Within our 160,260 Active-Duty enlisted force, 107,545 marines are on their first enlistment. Sustaining our career force requires that we reenlist approximately 25 percent of our first-term marine population. In fiscal year 2005, we reenlisted 6,159 first-term marines with a 96.0 percent MOS match and achieved our first-term goal for the 13th consecutive year. 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 2005, we met our career reenlistment goals for the fourth consecutive year. Concerning our Reserve Force, we satisfied our manpower requirements by retaining 80 percent in fiscal year 2005; the fifth consecutive year above our pre–September 11 historic norm of 70.7 percent.

The Marine Corps' appeal for today's marines remains the "intangible" benefits of leadership, esprit de corps, and camaraderie from claiming the title 'U.S. Marine' and is the singular reason why we continue to experience retention success in our Marine Corps. We are off to another strong start this fiscal year. As of February 10, 2006, I am pleased to report that we have attained 84.3 percent of the First Term Alignment Plan's goal of reenlisting 5,887 marines while sustaining a 99 percent MOS match. This impressive MOS match ensures that we are keeping the "best and brightest" while prudently placing the right skilled marines in the right job. We have also achieved a higher reenlistment rate for first-term infantry marines this fiscal year by reenlisting 86.2 percent of our goal thus far, as compared to 81.3 percent at this point in fiscal year 2005. The Marine Corps is also on track to achieve its career force target of 6,250 marines for fiscal year 2006; we have already reenlisted 3,355 (53.7 percent) marines with a corresponding MOS match of 98 percent for our career force, ahead of last year's successful pace.

The Selective Reenlistment Bonus Program (SRBP) continues to shape and complement our reenlistment efforts; it helps us keep our critically skilled marines. Surveys of marines nearing the end of their first enlistment, and Center for Naval Analyses studies, continue to bear out that the SRBP and duty station options add impetus to the intangibles of being a 'U.S. Marine.' Thus, we increased the SRBP from 51.1 million in fiscal year 2005 to 53.1 million in fiscal year 2006, with a supplemental request for another $31.5 million. To date, we have paid over $62.5 million in SRBs, with an average payment of $15,354. This program remains a powerful influence for the undecided who witness another marine's reenlistment and receipt of his or her SRB in a "lump sum." With the added benefit of the Thrift Savings Program, our marines can now confidently invest their SRBP funds for future financial security. The Marine Corps takes great pride in prudent stewardship of the resources Congress has allocated to the critical SRBP.

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 91.3 percent for fiscal year 2005, which is above our historical average. Current officer retention forecasts indicate healthy continuation rates for the officer force as a whole. Reserve officer retention in fiscal year 2005, was 79.5 percent, slightly above the pre-September 11 historical average of 77 percent. For the current year, Reserve officer retention has thus far remained above historical norms. It is important to note that despite high retention in the Active component, which reduces the number of officers transitioning (thus accessions) into the Selected Marine Corps Reserve, our Reserve Force continues to meet its operational requirements. Several initiatives are being reviewed to significantly close the gap between Reserve officer requirements and manning, specifically in the junior officer ranks.

MARINE CORPS RESERVE

This year marks the fourth year that our Reserve component has augmented and reinforced our Active component in support of the global war on terrorism. Thanks to strong congressional support, the Marine Corps has staffed, trained and equipped its Reserve to respond to crises around the world. Our Reserve component possesses capabilities to fight across the full spectrum of conflicts to support our Marine Air Ground Task Forces. To date, over 36,000 Reserve marines have served on Active-Duty since September 11, 2001. The Marine Corps Reserve continues to recruit and retain quality men and women willing to serve in our military and help our Nation fight the global war on terrorism. These men and women do so while maintaining their commitments to their families, their communities and their civilian careers.

More than 7,000 Reserve marines are currently on Active-Duty with over 5,500 in cohesive Reserve ground, aviation and combat support units and nearly 1,600 serving as individual augments in both marine and joint commands. Seventy one percent of all mobilized reservists deploy to the Central Command area of operations. To support ongoing mission requirements for Operation Iraqi Freedom (OIF), the Marine Corps Reserve provides approximately 10 percent of our Total Force commitment. The progression of the current mobilization reinforces the point that our Reserve Force is a limited resource that must be carefully managed to ensure optimum employment over a protracted conflict. In addition to supporting the overseas global war on terrorism mission, our Reserve marines are positioned throughout the country ready to support homeland defense if required or assist with civil-

military missions such as disaster relief efforts as shown in the wake of Hurricanes Katrina and Rita.

As mentioned, recruiting and retention remain a significant interest as the Marine Corps Reserve continues its support for the global war on terrorism. The funding increases and flexibility inherent in the Reserve incentives you provided in the NDAA for Fiscal Year 2006 are an invaluable asset to assist in our continued recruitment and retention mission. The approved legislation assists our efforts to encourage Reserve affiliation by officers transitioning from Active-Duty. The generous increase in affiliation bonus and the broadening of eligibility to include those officers who have prior enlisted service in the Reserve are greatly appreciated. The increased bonus not only generates greater interest in Reserve affiliation, but also provides financial assistance during the critical period of transition from Active-Duty to Reserve service.

Health care remains an essential part of mobilization readiness for our Reserve component. The new health care benefits that Congress authorized this fiscal year will help ensure that our Selected Marine Corps Reserve members, and their families, have access to affordable health care as they do their part to prosecute the global war on terrorism. Increased access and flexibility to health care for these families assists in alleviating one of the most burdensome challenges facing families of deploying Reserve marines.

The long-term success and sustainability of our Reserve Forces is directly related to our ability to prepare and employ our forces in ways that best manage limited assets while meeting the expectations and needs of individual marines and their families. 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.

In order to meet the operational needs of the global war on terrorism, the Marine Corps continues to make changes to Active and Reserve structure and capabilities. We conducted a top-to-bottom review of our Individual Mobilization Augmentee (IMA) program during the spring of 2005 as part of our force rebalancing efforts. As a result, we increased overall IMA manning levels by nearly 1,200 paid billets—matching paychecks to previously unmanned structure. The preponderance of manning increases were applied to commands possessing unique high demand-low density skill set requirements, such as military intelligence or communications and information systems. We view our IMA marines as force multipliers—augmenting Active component staffs and commands with trained, skilled, and experienced marines—and we will continue to actively and effective employee all members of our Total Force when and where needed to meet mission requirements.

In regard to the Individual Ready Reserve (IRR), the Marine Corps' present policy is to only activate members who have volunteered for duty. The current number of activated IRR volunteers is 820. The two primary means of recruiting IRR volunteers for Individual Augmentee billets are through the use of Reserve Duty On-Line and the Mobilization Command Call Center. Currently, there are 1,324 individual augment billets being filled by individual mobilization augmentees, Individual Ready Reserves, and retired recall or retired retained marines. These marines have been critical to successfully meet these individual augment requirements.

CIVILIAN MARINES

Civilian marines are integral to the Marine Corps Total Force concept. We have approximately 25,000 civilian marines, of which approximately 14,000 are appropriated fund employees and 11,000 are non-appropriated fund employees. Our civilian marines fill key billets aboard Marine Corps bases and stations, 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 road map 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-appropriated 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 DOD 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 execute our first phase of implementation, with a tentative conversion date of October 2006. In the Marine Corps we will lead from the top and have our Marine Corps Headquarters civilian personnel included in our first phase.

INFORMATION TECHNOLOGY

We continue to transform our manpower processes by exploiting the unique benefits of the Marine Corps Total Force System (MCTFS), our fully integrated personnel, pay, and manpower system. The MCTFS seamlessly serves our Active, Reserve, and retired members, both officer and enlisted; provides total visibility of the mobilization and demobilization process of our marines; and ensures proper and timely payments are made throughout the process. MCTFS provides one system, one record, regardless of an individual's mobilization status.

MCTFS is addressing three key deficiencies currently existing in DOD:

- Financial visibility/traceability—Positioning the Marine Corps for an unqualified audit opinion in fiscal year 2007, a DOD strategic goal;
- Manpower recruiting and retention goals—Pay marines on time and accurately, while supporting manpower models for recruiting; and
- Information Technology Management—Supporting the Department's stated IT goal of "making information readily available and in a useable format."

MCTFS is a key enabler of the Marine Corps Financial Improvement Initiative. Sixty-one percent of the Marine Corps budget is calculated, obligated, and accounted for by MCTFS. Intrinsic to MCTFS is full traceability of all of these expenditures to the source of input. MCTFS contains robust business logic that seamlessly links personnel and pay events. According to the Defense Finance and Accounting Service's "Bare Facts" report, MCTFS has an accuracy rate of 100 percent for our Active component and 99.73 percent for our Reserve component so far in fiscal year 2006.

With MCTFS as the backbone, the Marine Corps developed the Total Force Administration System (TFAS), a virtual administration center. TFAS's enterprise architecture and software, business processes, organizational arrangements, and the defined roles of the commanders and individual marines all combine to efficiently reduce and/or eliminate highly labor intensive and redundant administrative processes. During 2005, individual marines and their leaders leveraged MCTFS' capabilities using TFAS via Marine OnLine, a Web-based application that automatically processes more than 1.3 million transactions, including over 60 percent of our annual leave events. In December alone, more than 26,000 marines processed their leave via TFAS/Marine OnLine. This capability eliminated the need for 26,000 individual pieces of paper to be manually routed from requesters, to one or more approvers, to an administrative clerk's desk, and to then be manually entered into MCTFS. Coupling MCTFS integrated business logic with Marine OnLine's web-based capabilities increases the amount of time marine leaders can to devote to warfighting. Routine administrative tasks are being virtually eliminated, decreasing the requirement for administrators. TFAS is the catalyst for realignment of more than 1,700 administrative billets to other critical occupational fields.

MCTFS' integrated environment directly feeds our Operational Data Store Enterprise and Total Force Data Warehouse, a shared data environment of current and historical individual and aggregate data. Our manpower performance indicators then present this data in a flexible, easy to read, graphical format to operational commanders and headquarters planners via the Internet. We program continued technology investments that build on these integrated capabilities, ultimately providing greater effectiveness and efficiencies to allow us to continue decreasing marine administrative support and redirect structure to warfighting capabilities. Proper management of our manpower requirements and processes requires continued investment in modern technologies; we remain committed to these prudent investments.

MILITARY HEALTH CARE BENEFIT

The DOD military health care benefit is important, and a benefit we must properly sustain. To sustain this outstanding benefit, the issue of the rising costs of the

military health care benefit needs to be addressed. Despite past management actions, these alone will not stem the rising cost of the military health benefit. Costs have doubled in the past 5 years and projections indicate that they will jump to over 12 percent of the total DOD budget by 2015 (vs. 4.5 percent in 1990).

We support DOD's efforts concerning military health care and want to work closely with Congress to sustain this outstanding health benefit for the men and women of our Armed Forces and our retired community. It is critically important that we place the health benefit program on a sound fiscal foundation for the long term, so that we can sustain the vital needs of our military to recruit, train, equip, and protect our servicemembers who daily support our national security responsibilities throughout the world.

TAKING CARE OF MARINES AND THEIR FAMILIES

We remain committed to providing for our marines and their families in a manner befitting their unwavering dedication and sacrifice. As an expeditionary force, the personal and family readiness of marines and their families has always been integral to mission readiness. Today, some of our marines are on their third deployment to Operation Enduring Freedom (OEF)/OIF. Separation from loved ones can be a challenging experience and tests the endurance of marines and their families. While away for a 7-month deployment, significant life events may occur on both the battle and home fronts. During the same cycle, a marine may experience the joy and wonder of parenthood and the loss and sympathy associated with the death of a fellow marine or family member at home. The stress of combat and increased operational tempo may also be experienced. Marine spouses certainly experience the responsibilities associated with "keeping the home fire burning." Our marines and their families must be ready, therefore, for separation and the inherent requirements to sustain and succeed in the mission. As our warfighting skills are advanced and honed, so too must be our personal and family readiness skills, regardless of the number of times deployed. We have made transformational advances in providing for the personal and family readiness of marines and their families and believe these changes are making a positive contribution to their preparedness.

Organization and Program Delivery

Separation from loved ones necessitates clear communication, a plan for discharge of responsibilities, such as family care plans, payment of bills, a review of benefits and beneficiaries, and other miscellaneous but important actions. To address these issues and information requirements, we provide marines and families a continuum of support throughout the deployment cycle by way of the Marine Corps Community Services (MCCS).

MCCS was first established in 1999 and enables the leveraging of all community services programs for common achievement of goals. The melding of our exchange operations, Morale, Welfare, and Recreation (MWR) programs, and personal and family readiness programs is a model that has provided incredible support to our marines and their families. As a former operational commander and significant user of the programs, I believed MCCS was the right model for the marines in the field, as well as being the ideal tool to assist commanders in support of marines and their families. As the Deputy Commandant for Manpower and Reserve Affairs, I have observed the continued evolution of MCCS and seen the energy and dedication of base and station commanders and their staffs as they seek to provide needed support. MCCS is right for the Marine Corps and has proven to be beneficial for customers and leaders alike. At home stations of marines and their families, MCCS offers more than 80 programs that make our bases and stations responsive and livable communities. In the process, MCCS programs are helping marines and their families pursue healthy lifestyles, lifelong learning, responsible citizenship, family readiness, quick acclimation (whether a result of relocation or transition), and providing valued goods and services to support basic necessities and other desired merchandise. This home station support is the base of MCCS capabilities that is then scaled for deployment with marines, while still supporting the needs of those who remain behind. Regardless of environment, MCCS is focused on enhancing the personal and family readiness of marines and their families.

Deployment Support

At the pre-deployment phase, marines and spouses receive briefs on a wide range of issues from coping skills, including the potential of traumatic combat experiences and stress; to financial matters; to safety. These briefs help to ensure smooth household operation while the marine is away.

Marines are proud of their accomplishments in OEF/OIF and morale remains high among these selfless warfighters. They are appreciative of the touches of home they

receive while in theater, and we endeavor to see that deployed marines, especially those at remote sites, enjoy a measure of recreation and relaxation. Working with the Army and Air Force Exchange Service, the Marine Corps Exchange (MCX) offers warriors items such as health and comfort products, DVDs, magazines, and snack foods. MCX services are available at the main camps 7 days a week. We also have Tactical Field Exchanges at various locations. Moreover, we have placed a high priority on our Warrior Express Service Teams, who regularly travel to marines at the outlying remote sites to ensure they have access to MCX items. To keep marines in steady contact with home, there is in-theater phone service and mail service. We also continue to offer our Internet-based mail service, "MotoMail." MotoMail has been highly successful and its popularity continues to grow—the service has generated nearly one million letters since its inception in December 2004. MotoMail services are currently offered at 11 camps in OIF. As a result of its success, we plan to extend it to additional deployed environments.

Successfully providing for our families allows us to maintain our warrior ethos and operate effectively in the current high operational tempo, wartime environment. There is a direct correlation between mission readiness and family sustainment. Marines concentrate on their mission because they know their families at home have the resources and support necessary to tackle and triumph over issues that may arise during deployment. Our resources, tools, and support mechanisms are readily available and easily accessible to help marines manage separation issues, multiple deployments, and other associated challenges.

Especially today, the Key Volunteer Network (KVN) and Lifestyle Insights, Networking, Knowledge and Skills (L.I.N.K.S.) programs are particularly relevant. The KVN supports the spouses of deployed marines by providing official communication from the Command about the welfare of the unit and other key status or information. Beyond providing a source for accurate and reliable information, KVN also offers referral services and fosters a sense of community within the unit. L.I.N.K.S. is a mentoring program that helps spouses adapt to the military lifestyle and understand Marine Corps history, our traditions, and language. Spouses who participate in L.I.N.K.S. gain important knowledge from seasoned spouses, veritable pros, on surviving and flourishing during separation periods. Participants also learn about benefits and services such as health, housing, and compensation, and available community services. For our Reserve families, we are updating and streamlining our KVN and L.I.N.K.S. training guides to more appropriately reflect their needs, based upon their separated locations. Under a recent enhancement, Reserve unit Key Volunteers can contact MCCS/Military OneSource and request a "Know Your Neighborhood" report on all available community support resources to be used as part of the "Local Resources" portion of KVN education. We will continue to grow and improve KVN and L.I.N.K.S. programs.

Strengthening Personal and Family Readiness

Combat/Operational Stress Control

The nature of today's battlefield is uncertain and chaotic and the Marine Corps will continue to recruit and retain the right men and women to thrive in this environment. We educate marines and their leaders to prepare their minds for the intellectual component of the clash of wills and chaos inherent to combat. Part of this preparation is effectively addressing the potential effects of combat/operational stress both before and after it may occur. Since the Marine Corps crossed the line of departure into Iraq in March 2003, we have continuously developed and improved our operational stress control programs based upon lessons learned.

Though we provide many prevention and treatment programs, we know that their success is dependent upon marines confidently availing themselves of the support offered. As such, we consistently encourage use of our many easily accessible resources. We also emphasize that stress heals more quickly and completely if it is identified early and managed properly. We are vigilant in watching our young and vigorous members for signs of distress and endeavor to effectively manage operational stress at every level. We provide pre-deployment training, assistance when the stress is occurring, a multi-tiered deployment health assessment process, and post-combat monitoring and assistance to identify mental health issues early so those affected will have the best chance of healing completely.

To coordinate our combat/operational stress control (COSC) efforts, we have established a COSC section in our Manpower and Reserve Affairs Department. The objectives of the Marine Corps' COSC program are to provide the tools to prevent, identify, and treat combat/operational stress injuries in warfighters and their family members before, during, and after deployment.

To assist during the pre-deployment phase, marine officers and staff NCOs are trained to prevent, identify, and manage stress injuries. Moreover, marines are

trained on the stressors to be expected and how to monitor and manage personal stress levels.

In January 2004, we launched the Operational Stress Control and Readiness (OSCAR) program. OSCAR embeds mental health professionals with ground units, and has been successful in helping marines deal with the acute stress of combat. It keeps marines with low-level problems at their assigned duties and allows those with more severe conditions to immediately receive appropriate treatment. OSCAR also plays a role in pre-deployment, as personnel train with the units they will support during the deployment. This builds two-way trust and familiarly. In addition to OSCAR, there are mentorship programs and treatment services by Chaplains in theater. We also have briefs for marine leaders on homecoming and how to identify, and refer for help, marines with persistent operational stress injuries. For families during deployments, KVN and L.I.N.K.S. (discussed previously) provide valuable support and resources. Our families can also avail themselves of various programs offered by MCCS, and Military/MCCS OneSource.

To ensure smooth homecomings, we launched the Warrior Transition and Return and Reunion Programs. These programs, launched in 2003, help marines and their families readjust when the combat marine reintegrates to home life. Beyond training marines for homecoming, family members also receive briefs, including information on reuniting with their marine spouses, and how to know whether their spouse is experiencing a stress problem that requires attention.

We are beginning to screen all returning marines and sailors for a variety of potential mental health problems after they have been back home for 90–180 days, and those who screened positive are evaluated and treated. Marines experiencing a severe form of stress are referred to medical professionals for diagnosis.

To ensure COSC training participation, we have a system using the Marine Corps Total Force System for unit-level tracking by individual marines during pre-deployment, re-deployment, and post-deployment.

Finally, we are very proud of the recent activation of a new Web-based information and referral tool, the "Leaders Guide to Managing Marines in Distress." The guide gives marine leaders the ability to help marines at the point of greatest positive impact: marine-to-marine. It offers leaders at all levels information to resolve high-risk problems faced by marines that could be detrimental to personal and unit readiness. The faster and more effectively these problems are solved, the more time the individual and unit will have to focus on the mission. The guide is separated into six major categories: deployment, family, personal, harassment, substance use, and emotional. Within these categories, there are 16 main problem areas that include an overview of the problem, risk factors, why marines may not seek help, prevention strategies, resources, and Marine Corps guidance. The guide can be accessed at http://www.usmc-mccs.org/leadersguide.

Marine Corps Critical Incident Stress Response

In the case of mass casualties experienced by a command/unit, the Marine Corps' critical incident stress management trained teams provide crisis management briefings to family members and friends of the command/unit. During crisis management briefings, Marine Corps personnel, Chaplains, and Managed Health Network (MHN) counselors are available to provide information and answer questions concerning the casualties. MHN is an Office of the Secretary of Defense (OSD)-contracted support surge operation mechanism that allows us to provide augmentation counselors for our base counseling centers and primary support at sites around the country to address catastrophic requirements.

Child Care

We work to help the youngest members of the Marine Corps family adjust to being separated from a deployed parent by providing children-specific deployment briefs. For children who are experiencing difficulties adjusting to deployments, we offer the Operation Hero Program. This program targets children from 6 to 12 years and provides after-school tutoring and mentoring assistance in small groups with certified teachers. We also have initiatives that target care and support for children of activated reservists who are geographically separated. For example, we have established partnerships with the Boys and Girls Clubs of America, the Early Head Start/Zero to Three Program, and the National Association for Child Care Resource and Referral Agencies.

Especially when a parent is deployed, emergency child care needs may arise. Using DOD funds, the Marine Corps implemented the Enhanced Extended Child Care initiative, provided through family child care homes. Examples of situations where the services are provided are: when family members have been hospitalized;

for attendance at bereavement ceremonies; respite for family members during deployments; and unexpected duty or duty hours.

Suicide Prevention

For the Marine Corps, one suicide is too many, and we remain steadfast in our dedication to prevention and the early identification of problems that could potentially contribute to suicide. All marines receive annual suicide awareness training to support early identification of problems. We also provide ready access to counseling support and crisis intervention services. More recently, we have updated Marine Corps-specific videos on suicide prevention. In addition, the Leaders Guide to Managing Marines in Distress includes extensive information on suicide prevention. As with any prevention program, its effectiveness is dependent upon on proper usage. With this in mind, we are fostering a climate in which marines feel compelled to convince their fellow marines that seeking help is a sign of good judgment and for the betterment of personal and mission readiness.

As for a possible correlation between deployments and the high operational tempo, we closely monitor our suicide cases to determine whether OEF/OIF operations are having an impact on our rates. Our analysis shows no correlation between marines with a history of deployments and suicide rates.

Domestic Abuse

We have observed that spouse and child abuse continues to decline for the Marine Corps. In fiscal year 2001, there were 1,358 substantiated cases of spouse abuse. In fiscal year 2005, the number dropped to 995 substantiated cases. Similarly, substantiated child abuse cases declined from 821 in fiscal year 2001 to 448 in fiscal year 2005. An analysis of this data indicates that abuse does not increase as marines deploy. Our prevention efforts and care for victims remain strong and effective. We focus on early intervention, education for new parents, and for our victims, our Victim Advocate Program is available around-the-clock.

Sexual Assault

For the Marine Corps, we have always had a zero tolerance policy when it comes to sexual assault. Beyond punishing offenders, we place a high priority on prevention and protecting and supporting victims.

We are in complete compliance with the mandates of the DOD's Joint Task Force for Sexual Assault Prevention and Response. We have established a Sexual Assault Prevention Office, which serves as the single point of contact for all sexual assault matters, including victim support and care, reporting, training, and protective measures. We thoroughly educate marines on this issue and have instituted extensive sexual assault awareness training for all entry-level officers and enlisted members. We have also established procedures to protect a victim's privacy and right to select unrestricted or restricted reporting. For in-theater incidents, we have trained Uniformed Victim Advocates who stand ready to provide support and care.

Transition Assistance

Our Transition Assistance Management Program (TAMP) provides resources and assistance to enable separating marines and their families to make a successful and seamless transition from military to civilian life. TAMP provides information and assistance on various transition topics, including: employment, education and training benefits, determining health and life insurance requirements, financial planning, the benefits of affiliating with the Marine Corps Reserves, and veteran's benefits and entitlements. For our injured marines, we provide TAMP services at a time and location to best suit their needs, whether at bedside at a military treatment facility or their home. In cases where the marine is not in a condition to receive transition information, but the family members are, assistance and services are provided to the family member.

Transition services are available to all marines and their family members who are within 12 months of separation or within 24 months of retirement. On a space-available basis, separated marines can attend workshops up to 180 days after their date of separation. Pre-separation counseling and the Transition Assistance Program workshops are mandatory for all separating marines. Other services include:

- Career Coaching Employment and training assistance
- Individual Transition Plan Career assessment
- Financial Planning Instruction in resume preparation, cover letter, and job applications
- Job analysis, search techniques, preparation and interview techniques
- Federal employment application information
- Information on Federal, State, and local programs providing assistance
- Veteran's benefits

- Disabled Transition Assistance Program

Casualty Assistance

Marine Corps casualty assistance is viewed as a fulfillment of duty and commitment to take care of marines and their families. Our trained Casualty Assistance Calls Officers (CACOs) receive training that is always supported by ongoing online assistance and the continuous 24/7 availability of the Marine Corps Headquarters Casualty Section. Our training is regularly refined based upon lessons learned. We have approximately 5,000 trained CACOs across the country to help our survivors by providing consistent and measured engagement during the entire casualty process and beyond. They provide death notification, help to coordinate funeral arrangements (including travel), and serve as the primary point of contact to connect survivors with benefits agencies, such as the Department of Veterans Affairs (VA), the Social Security Administration, and TRICARE. When survivors relocate, CACO assignments are geographically transferred to continue support of the survivor as needed or desired. In these cases, there is a "warm handoff" between CACOs. For our survivors requiring extended support, CACOs connect families to a long-term survivor case manager. The case manager makes personal contact with our survivors to reassure them that support will be provided for as long as it is needed.

As with all we do, we will continue to seek ways to improve how we take care of marines and families into the future.

Marine-for-Life—Injured Support

Built on the philosophy "Once a Marine, Always a Marine" and fulfilling our obligation to "take care of our own," the Marine-For-Life program offers support to approximately 27,000 honorably discharged marines transitioning from Active service back to civilian life each year.

Leveraging the organizational network and strengths of the Marine-For-Life Program, we implemented an Injured Support Program during January 2005 to assist combat injured marines, sailors serving with marines, and their families. The program essentially seeks to bridge the gap that can exist between military medical care and the VA—providing continuity of support through transition and assistance for several years afterwards.

The program recently assigned two full-time Marine Corps liaison officers to the Seamless Transition Office at the VA. These liaison officers interface between the Veterans Health Administration, the Veterans Benefits Administration, and the Marine Corps on individual cases to facilitate cooperative solutions to transition issues.

Additionally, the Injured Support Program conducts direct outreach to injured marines and sailors via phone and site visits to the National Naval Medical Center, Walter Reed, and Brooke Army Medical Centers. On average, 30 percent of our seriously injured marines requested and received some type of assistance.

Lastly, the program continues to work closely with OSD on Marine Corps-related injury cases. Information sharing between the program and OSD contributes to developing capabilities for the Military Severely Injured Center.

CONCLUSION

As we continue to fight the global war on terrorism, our Services will be required to meet many commitments, both at home and abroad. We must remember that 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. Personnel costs are a major portion of the DOD and Service budgets, and our challenge is to effectively and properly balance personnel, readiness, and modernization costs to provide mission capable forces. 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. Senator Nelson.

Senator BEN NELSON. Secretary Chu, the Quadrennial Defense Review (QDR) concludes that, "The Reserve component must be operationalized so that select reservists and units are more accessible and more readily deployable than today." Then it further provides that DOD will, "pursue authorities for increased access to Reserve component to increase the period authorized for presidential Reserve call-up from 270 to 365 days."

Now, it's unclear to me why we would want to increase the authority from 270 days to essentially a year. For operations where 270 days is not sufficient, the President already has partial mobilization authority to declare a national emergency and to order National Guard and Reserve personnel to Active-Duty for up to 24 consecutive months. Maybe you can help me understand why the Department feels it's important to increase this presidential Reserve call-up authority to a year, and why is the President's current partial mobilization authority not sufficient, even though it can go up to 2 years?

Secretary CHU. Thank you, sir. I'd be delighted to.

As you point out, under a declaration of a national emergency, the President has broad authority, broader than is being proposed, with this change. We do want to look ahead, however, to a period in which there might not be a declaration of a national emergency. It might not be appropriate to issue such a declaration. But we would still like the President to have authority for access to Reserve components. As you appreciate, Congress gave him that authority under the so-called Presidential Reserve Call-up section of the statute. It is limited to 270 days. It is the authority the country used during the 1990s for the Balkans deployments.

Our conclusion is, that's a bit too short. Obviously, this is a balance, in terms of requesting the expanded authority. We find that our Reserve community is comfortable with a 1-year period of service. That is understood by people as reasonable. Within a 1-year period, if we had access for that length of time, we could have preparation and return steps accomplished in 2 or 3 months, which would give you a deployed time closer to 9 to 10 months, versus the 6 or so that's feasible under the 270 days.

We'd like this additional authority. It's not actually applicable, at the moment, because we are under a declaration of a national emergency, but it's an important hedge for the future. I think it's a significant change we'd like your support for.

We'd also like support, as the QDR indicates, for authority of the President explicitly to mobilize for natural disasters, which is not an authority he currently possesses.

Senator BEN NELSON. With respect to end strength, General Osman, the currently released QDR proposes to stabilize the Marine Corps end strength at 175,000 Active and 39,000 Reserve component personnel by fiscal year 2011. The Commandant, however, has recently publicly stated that he's not sure the Marine Corps end strength should be reduced below 180,000 marines. Did the Marine Corps provide input to the QDR regarding that desired end strength for the Marine Corps? If so, what did the Marine Corps itself request? Has anything changed since this input was provided?

General OSMAN. Sir, our current end strength is about 180,000. We have been authorized an end strength of 179,000. The Secretary of Defense has the authority to float the end strength, and we've taken advantage of that, to bring us up to 180,000. At this time, we feel like that is the end strength we need in order to execute operations as they are today. Needless to say, as things change, then obviously the requirement for the end strength may change.

You probably know that the Commandant is commissioning a capabilities assessment group that has begun deliberations—it will take about 3 months—to take a very hard look at the Marine Corps, Active and Reserve, a Total Force look, to see what the Marine Corps would look like as we began a downward slope that would take us down to an end strength of 175,000. Of course, this would include the new Marine Special Operations Command (MARSOC) that recently stood up, which has a membership of about 2,500 marines. Within that 175,000, include the 2,500 for the MARSOC. We'll take a hard look operationally at how we'll have to tailor the force in order to reach that.

At this particular point in time, the Commandant's focus, however, of course, is on current operations. As long as we continue to receive the supplementals we receive that allow us to have an end strength of 180,000, that is what we need in order to continue to execute operations as they are today.

Senator BEN NELSON. Dr. Chu, is the reduction based on an expectation that the 175,000 is adequate, or is this an effort to reduce the cost, or a budget-cutting proposal, or something else?

Secretary CHU. I think it's something else, sir. As I indicated in my opening remarks, the Department understands that we have to keep a good control of operating costs of the enterprise, or there will not be room within the likely total budget for the Department for the reinvestment in new equipment that is essential to our future success. So, we have set, as objectives for the Department, that, by the close of the current program period, which is fiscal year 2011, the Army and the Marine Corps would be able, through a variety of changes in the way we do business—military/civilian conversions, reconsideration of how we produce various capabilities, et cetera—to come back to strength levels that you have described, 175,000 for the Marine Corps, and 482,400 for the United States Army.

As General Osman testified, as circumstances change, our answers to these questions may change over time, but that is the trajectory on which we have set ourselves. We think that's a prudent trajectory in order to protect the future capabilities of the Department when you take all factors into account. It really is a strategic choice on the part of the Department.

Senator BEN NELSON. So, the choice is to consider other requirements with regard to the budgeting process, even though that may reduce the end strength below what the Commandant believes is necessary to continue to do and perform at the level they're performing at the present time?

Secretary CHU. I would say it a little bit differently. I think the Commandant's statement goes to: what does he need today in order to staff the capabilities and produce those outcomes in the way we

now do business? What we're looking for, 4–5 years from now, is a slightly different outcome in which we get the same, or better, capabilities, but we do not need quite as much Active-Duty manpower as is currently on the books.

The Marine Corps has already done that. The Marine Corps is in the process of, out of the current strength levels, creating two additional infantry battalions, two additional long-range reconnaissance companies, et cetera. The Army is doing something similar with its move to a modular structure in which we're expanding by nine Active brigades within a strength level that's not all that different from the one at which the Army started.

During the transition period, as you move into new areas and acquire new people with new skills, or take people in with old skills and retrain them, then yes, there are going to be more people on the books than we think is necessary, in the long term. Some of the extra capacity will come, I acknowledge, from expanding, at least at the margin, the civil workforce of the Department—which is one of the reasons we're so eager to get the National Security Personnel System (NSPS) into place—and have civilians do some of the things that are now done by military personnel, which, de facto, gives you more military strength to devote to purely military objectives.

I'll take an example, in the lane of my office and my colleagues here, in how we run the Military Entrance Processing Stations. We had well over 1,000 military personnel in those stations before we began this review. We've agreed to reduce that to a few hundred. We can do it with a larger civilian content. It does mean we have to change how we staff those enterprises, how we deal with overtime, how we deal with Saturday hours, and so on and so forth. Those are all solvable problems. On the other hand, they cannot be solved overnight. So, there is this transition period, in which you're going to see higher strength levels than we believe we need to maintain for the long term.

Senator BEN NELSON. Are we simply shifting end strength from the Marine Corps to, let's say, civilian personnel, so that the numbers are essentially the same in total strength, without regard to whether they're civilian or Marine Corps personnel?

Secretary CHU. Not necessarily. There might be fewer, in the end, because part of this is what people in the private sector like to call "business process reinvention." Also, I should emphasize that, on average, it's somewhat less expensive to have a civilian staff member than a military staff member. So, from the budgetary perspective, even if you were one for one, on average you would have a lower operating cost than would otherwise be the case. So, this is, again, a strategic choice by the Secretary, and by the Department, to ensure that we keep a good margin for the reinvestment in new equipment and new capabilities we need for the future, and not consume the entire budget in current operating costs.

Senator BEN NELSON. But without reducing end strength to some lower, but dangerous, level?

Secretary CHU. We don't think it's dangerous, no, sir. It will all be done after careful study and debate.

Senator BEN NELSON. Thank you, Mr. Chairman.

Senator GRAHAM. That was very interesting.

When we look at our force model, we look at how many people we need and how we can have a higher-hitting weight with fewer people is one of the things we're looking at. What do we project, 2 years from now, the military footprint in Iraq to be?

Secretary CHU. I think it would be a bit out of my lane to offer projections on strength on the ground. I think, if I could echo what the President and Secretary have said repeatedly, we will be there in the numbers needed—no more, no less, no longer, no shorter.

Senator GRAHAM. I agree with that. What those numbers might be, no one knows, so I would just make a cautionary statement to bootstrap what Senator Nelson has said—as we go from 180,000 to 175,000 marines, I'll like my chances. That's a pretty potent force. So, Dr. Chu, we're going to make sure that the model of rotations and the footprint in Iraq has to be a little more resolved before we can go too far down the road.

Now, as to the Navy and the Air Force, we're making fairly massive reductions in force. Can you tell me, starting with the Air Force, how we're going to do this without hurting morale and readiness? What efforts are we making in both Services to get people who are trained and military oriented to at least consider the Army or the Marine Corps or the Reserves?

General BRADY. Yes, sir. I'd be happy to address that.

Senator GRAHAM. Could we do more along those lines?

General BRADY. Sir, as I said, there are a couple of things that we've looked at. I piggyback a little bit on Senator Nelson's question about what drives this. As we look at our force over the last 4 or 5 years, and we look at how many people have deployed and what skill sets have deployed, we start to look, as you point out, Senator Graham, at this tooth-to-tail thing. Where are we putting our people? Are we focusing on skills that go forward, and doing the rest of it as efficiently as possible? We think we have potential for doing that. We have about 22,000+ people in the Central Command (CENTCOM) Area of Responsibility (AOR) today. We have about half of our force, though—about 52 percent of the Active-Duty—supporting a combatant commander around the world somewhere today. So, we're heavily engaged. At the same time, we have a lot of people who are not deployed, and we have significant numbers of people who have not. As we look at that, we start to look at how we can use our people a lot more effectively. That includes things like retiring some legacy systems—you've heard that, I'm sure—which gives us some relief.

Senator GRAHAM. What will be the total number you're looking at reducing over the next 5 years?

General BRADY. We're looking at full-time equivalents of about 40,000.

Senator GRAHAM. Does this consider the fact that we may have two operational engagements at the same time?

General BRADY. Yes, sir, I believe it does. In fact, we have bounced this against the national strategy, and against our war plans that we have. Quite frankly, the most demanding scenario is the scenario of our Air Expeditionary Forces (AEFs), of our five-time rotations. So, if we can do that, we can handle almost anything—because that's what's deployed times five, so we think we can do this.

Senator GRAHAM. What percentage of your Reserve aircrews have hit the 2-year maximum involuntary deployment?

General BRADY. I'd have to get back to you with the exact number, but it's principally in areas that the people you tend to ride with when you go to the AOR.

[The information referred to follows:]

Nine percent of ANG C–17 aircrews and 32 percent of Reserve C–17 aircrews have hit their 2-year maximum mobilization ceiling.

Senator GRAHAM. I know the 130s, but I'm curious about the C–17s flying out of Charleston.

General BRADY. It tends to be the C–130s, primarily, yes, sir.

Senator GRAHAM. The Reserve commander told me that everybody in his unit, except for the new young guys and gals, have already hit their 2-year point.

General BRADY. We have a significant number. I can get you the exact number of people who have reached their 2 years, but I don't have it right with me.

[The information referred to follows:]

A C–17 crew is comprised of two 11As (Pilot) and one (or more if necessary) 1A2s (Loadmaster). C–17 statistics for Charleston are as follows:

11A (Pilot): Charleston has 209 assigned assets; 89 have reached the 24-month mobilization ceiling—43 percent burned-out.

1A2 (Loadmaster): Charleston has 140 assigned assets; 64 have reached the 24-month mobilization ceiling—46 percent burned-out.

Senator GRAHAM. What if they all said tomorrow, "I don't want to fly anymore"?

General BRADY. I think that that would be pretty significant.

Senator GRAHAM. That's not going to happen, but that would be significant.

General BRADY. The likelihood of that happening is zero, though.

Senator GRAHAM. I guess the question I'm trying to ask is: What percentage of the air bridge going into theater is flown by reservists?

General BRADY. All the time, they would fly about 15 percent of it. Today, it's a bit higher than that, but again, it depends on the weapons system involved. I would have to get back to you.

Senator GRAHAM. Say, C–17s. Get back to me on C–17s.

General BRADY. Yes, sir, I will.

[The information referred to follows:]

Of the total number of global war on terror air bridge sorties since September 11, 2001, 64 percent were flown by Active-Duty, 6 percent were flown by Air National Guard, and 30 percent were flown by Air Force Reserve. A breakout by Mission Design Series follows:

Active-Duty

C–5: 55 percent
C–17: 70 percent
C–130: 50 percent

Air National Guard

C–5: 8 percent
C–17: 2 percent
C–130: 38 percent

Air Force Reserve

C–5: 37 percent
C–17: 28 percent
C–130: 12 percent

Senator GRAHAM. Okay.

General BRADY. I think something else that's important is the Air Expeditionary Force (AEF) structure that we have allows for shorter rotations, particularly of our very experienced mobility crews. That allows us to do a lot. We only have about 3,600 people mobilized today, but we have twice that number of volunteers. So, we have more than 6,000 guardsmen and reservists. The rotation structure that we have allows that.

Senator GRAHAM. What specialties would these 40,000 come from? Would it be kind of across the board?

General BRADY. It would be targeted, obviously, because there are some areas that we're seeing—as the nature of the global war on terrorism changes, we need more of some skills than others. So, for example, you wouldn't see reductions in security forces. You would see the need for more of tactical air-control-party people, combat controllers, people who work with the Army. As the Army develops its Future Combat System, there'll be an increase in the requirement for us to have people on the ground with the Army in the distributed battlefield. At the same time that we see some reductions in some areas, we'll see some increases in others. It's not a salami slice, it'll be very tailored to the missions that we have today and the missions that we can foresee tomorrow.

Senator GRAHAM. You don't think this number will affect morale and readiness, in terms of longer deployments, or mean more stress for the people who are left behind?

General BRADY. I don't think it will entail more stress. I think, as we find more innovative ways to get a higher percentage of our people into the fight, that helps a lot with that. As we make some reductions, obviously their morale is an issue that you have to consider, because our people have done honorable work, and great work, and a high percentage of them want to stay with us. For that reason, as we go through this we need to find ways for them to serve. That gets to the other part of your question, about how we're doing that. We have aggressively looked at all of the alternatives for people to go to the Guard and to the Reserve. The Federal Bureau of Investigation (FBI) has looked at our people and other Government agencies have looked at our people. We are joined at the hip with General Hagenbeck and his folks. In fact, our Chief has written a personal letter to a group of folks that we are looking at for some reductions. Our Chief has sent a personal letter to each one of them telling them what their options are. Last week General Hagenbeck sent them all a personal letter inviting them to go green.

We are in a joint fight. We realize that. The Army has the names and addresses of everyone that's in a career field that we think is vulnerable for reduction, and we'll continue to work with them to make sure people know what their opportunities are to continue to serve.

Senator GRAHAM. Admiral?

Admiral HARVEY. Yes, sir. What you see us doing, in the last 2 years, is really a manifestation of work that began in 2000, when we undertook the revolution in training under Admiral Clark's, then our Chief of Naval Operations, leadership. We went out and identified work. Then we asked, how do we get at that work? How

do we take that work out of the system, both on our ships and in our shore infrastructure? This was a very important precursor, because the goal of this is not to do more with less. That gets into the very point you make, we're going to risk breaking the existing force. The goal is to take the work out of this system with the new kinds of ships and aircraft squadrons we're bringing online, and the new kinds of infrastructure we're developing ashore. That gives us the confidence to proceed as we are going, along with some civilian substitution of those types of jobs that we can keep.

Senator GRAHAM. Along those lines, like the C–130J, you do away with a couple of crew members, right? You need fewer people to fly the plane. Is that what's going on in the Navy, you just need fewer people to man the shift?

Admiral HARVEY. Oh, yes, sir, very much so. We're going from a destroyer that takes 350 people now to a destroyer that takes 260 people, and a littoral combat ship that will take 75 crewmen. We invest more in individuals, which gets us at the retention issue. We are making a tremendous investment in their capabilities at the same time we're able to draw down the strength and, by the way, grow strength, in areas that contribute directly to this—growing capabilities we need for the war on terrorism, such as in the security, the Seabees, and special warfare. It's a fine dynamic that's going on. What encourages me is that when we set those rheostats for the retention we want, we're still getting the output that we want. We can have some control over that. That's really due, in large part, to the force-shaping tools you've given us, that we're exercising now, to enable a scalpel approach on how we go after these capabilities we don't need, as opposed to a more brutal approach where you do a lot of harm in the process.

Senator GRAHAM. I have just one more question, and then I'll let Senator Nelson take over here. Every business, including DOD, needs to be run more efficiently. If you can rearrange your force to have more capability, but fewer people, that's good for the budget, that's good for everybody, and it's good for those who are serving. But I don't want us to get so driven by increased personnel costs—which are real—that we do not understand that there may be more than one fight and that this is a dangerous world that we're living in. I think I know the Marine Corps well enough—that is a huge asset to this country. It is no small thing. I'll just end with that thought.

Religious practices. I've gotten plenty of input in my office here lately from the Chaplain Corps and other people about this balance that we're trying to achieve in the military, Secretary Chu, between allowing people to express themselves religiously without stepping on people's feelings and getting out of bounds when it comes to religious practices. One of the things that the Air Force is looking at is new guidelines, in terms of chaplain practices. I'll be up front with you, there are a lot of chaplains that I've heard from that, when they're called on to offer a prayer in a public setting, that they're being told that they can't express that they're praying, that "this prayer is offered," "I pray in Jesus' name," just substitute the religion. To me, the reason we have chaplains of different faiths is because we have diversity in the force. If every chaplain's going to be a widget, then we've lost that diversity. It's

a fine line between allowing individual religious expression and adopting a particular religion.

I don't want any military member to feel like someone's religion is being forced upon them. When it comes time for someone to have a chance to express themselves in a religious manner, which I think is very appropriate, our military men and women need a place to go worship, if they choose to, and need to exercise and practice their faith as they see fit, in an appropriate way. Could you give me some ideas about where we're headed down this road? I don't want to get to the point that we destroy diversity in the name of political correctness, for lack of a better word.

Secretary CHU. Sir, on the contrary, we celebrate diversity, and we recognize that we have in our force members of a wide range of faiths, and we want to be sure that the chaplain resources are there to sustain those faiths as we go forward. It's exactly as you suggest, sir. It's a matter of balance. I think, on this issue of public prayer, it is important to recognize there are different kinds of public occasions. In particular, the Department is in the position of advising that if an occasion is mandatory, where there is not much choice about whether you attend, we have to be particularly careful to recognize that there is a range of faiths there, and choose our language and the thoughts we express accordingly. The vast majority of our chaplains understand that responsibility, and accept that responsibility.

Senator GRAHAM. I would be interested to work with you on that. That is a point of personal importance to me. I've been around the military most of my life, and I want everyone to feel comfortable. One of the ways you feel comfortable is to be able to express yourself in an appropriate way.

I think we have a vote going on. Senator Nelson, I appreciate your showing up. This is to be continued.

To all of you, thank you. Let's see if we can get our force to where it needs to be with the ability to do the job for America—save money, but also make sure that we're saving—and taking stress off those who are doing the job.

Thank you very much.

Secretary CHU. Thank you, Mr. Chairman. We do have formal statements for the record. I hope you'll accept them as part of the committee's record.

Senator GRAHAM. Absolutely.

Secretary CHU. Thank you, sir.

Senator GRAHAM. I'd also like to insert into the record at this time the statement of Dr. John A. Phillips, Superintendent of Schools for Muscogee County, Georgia.

[The prepared statement of Dr. Phillips follows:]

PREPARED STATEMENT BY DR. JOHN A. PHILLIPS

Mr. Chairman and members of the subcommittee, I am Dr. John Phillips, Superintendent of Schools for Muscogee County, Georgia. I am extremely grateful for this opportunity to speak to you not just on behalf of Muscogee County and the other school districts in the Chattahoochee Valley near Fort Benning, but also on behalf of a coalition of school districts from around the country, called the Seven Rivers National Coalition, facing a similar problem. In short, several major actions now underway within the Department of Defense (DOD) are going to combine to bring far more school-aged children of our military personnel into our school districts than we can possibly handle.

OVERVIEW

Fort Benning is located along the Chattahoochee River outside Columbus, Georgia. Given the size of the installation, the students of Fort Benning personnel attend school districts in eight counties in Georgia and Alabama: Muscogee, Chattahoochee, Harris, Marion, and Talbot Counties in Georgia; and Phenix City, Lee and Russell Counties in Alabama.

Meanwhile, I am also honored to represent today a number of school districts around the country that serve children of military families at installations expected to gain a large number of personnel over the next few years. These installations include Fort Riley in Kansas, Fort Lee in Virginia, Fort Bliss in Texas, Fort Carson in Colorado, Little Rock Air Force Base in Arkansas, Fort Leonard Wood in Missouri, and Fort Sill in Oklahoma. Appendix A lists each of these facilities and the school districts that will be impacted by their local installations' personnel gains. In all, over 45,000 school-aged children of military personnel will be moving to these eight installations during the next 4 years.

My remarks will focus primarily on the impact facing Muscogee County and the other school districts surrounding Fort Benning. However, all of these other school districts face similar challenges over the coming years, and we are combining our efforts in the hope of securing critically needed Federal funding to address this problem.

DEFENSE DEPARTMENT ACTIONS

There is a storm gathering over Muscogee County and the other school districts in the Chattahoochee Valley. As we watch it grow in intensity and move toward us, it seems that we are facing the perfect storm.

To be accurate, there are three storms converging on us. The first is the recently completed base realignment and closure (BRAC). We are all thrilled that Fort Benning emerged from the BRAC with a resounding vote of confidence and a robust and expanding mission. Most significantly, the Armor Center and School will move from Fort Knox to Fort Benning, where it will join with the Infantry Center and School to create a Maneuver Center of Excellence.

The second storm is the process of transformation that the Army—indeed all of our Service branches—is undergoing. With the end of the Cold War, our enemies have changed. So we are changing the profile and composition of our defenses, and Fort Benning will play a major role in this, as demonstrated by a significant increase in Brigade Combat Teams.

Finally, the third storm facing us is global repositioning. The DOD is bringing as many as 50,000 troops home from Europe and Korea, and many of them are coming to Fort Benning.

These three actions will result in the arrival at Fort Benning of roughly 5,500 new military personnel, and an additional 5,500 DOD civilians and contractors over the next 4 years. These 11,000 new federally-connected personnel at Fort Benning will enroll over 10,000 school-aged children into our local school districts.

I want to stress again how proud our community is to be serving such an important role in our Nation's defense, and we welcome these families. We have had the strongest of relationships for years with Fort Benning and those who have served there. Our Nation could not have placed its trust in better hands.

THE PROBLEM

However, I also must tell you about the very real problems that this surge of new students will cause. The largest challenge facing us, and where we are requesting Federal assistance, is the need to construct new schools and classrooms to accommodate this sudden influx of students.

Simply stated, without significant new construction, we will have nowhere to put these students. We will not only have to place many of them in trailers, but they also will be forced to attend classes in every available space we have. This means holding classes in the cafeteria, in the media center, the auditorium, former teacher lounges, and converted closets and storerooms. These locations are highly substandard for teaching, and also lack technology connectivity. In essence, those forced to learn in such an environment will clearly be subject to "second class" status. Our students will also be denied many extra-curricular activities because the space in which they are ordinarily conducted will have been converted to classroom use.

Beyond classroom space, this surge in student enrollment will also lead to a variety of other logistical concerns. Lunch periods will likely need to begin as early as 9 a.m., and continue through late afternoon, in order to accommodate all of the students. Furthermore, the impact on the transportation system will require some stu-

dents to be picked up and arrive at school well before classes begin, and others to depart school well after classes end.

We will also be forced to adopt double sessions at all levels—elementary through high school. While such double sessions are not unprecedented in some high schools around the country, they are almost unheard of for elementary and middle school students.

All of these teaching, schedule, and transportation issues do not just affect students, but are also tremendously disruptive to family schedules. Needless to say, they also will have a damaging impact on teacher morale, which will further impact our students' education.

In the meantime, their fathers or mothers may be serving their third rotation in Iraq and Afghanistan. We owe them the assurance that their children are receiving the best education we can give them. We know that when military personnel prepare for each new assignment, among their most immediate concerns are the availability of good housing and good schools. These issues are critical for soldier morale, and are increasingly important as the Army's divorce rate has soared in the past 3 years and the Service faces increasing challenges in recruitment and reenlistment.

We have made three series of visits to Washington to alert Federal policymakers of the pending impact on our schools, and have met with a very positive response . . . up to a point. No one we talked with denies the size and sweep of what confronts us. They all understand that our situation results from decisions taken by the Federal Government. However, like us, they are overwhelmed by the cost of addressing it . . . and no one has yet stepped forward to accept even part of the responsibility. The costs are significant—our current estimate of the costs of the new school and classroom construction facing the Chattahoochee Valley alone approaches $350 million.

But as I mentioned at the start, this problem is bigger than us. We have gone out and located the other school districts which serve gaining installations and formed a loose coalition known as the Seven Rivers National Coalition. I have enclosed other materials showing the anticipated increases in Federally-connected school-aged children at the school districts in the Seven Rivers Coalition (Appendix B).

LOCAL SUPPORT

We are not just coming before you with the intention of dumping this whole problem in your laps. We are gathering our information in the most credible and professional way that we can. In fact, the Army has approved our methodology and is encouraging other installations to employ it. We want to be sure you are looking at apples-to-apples numbers, because that is the only way you will truly appreciate what we are facing.

More importantly, we are doing absolutely everything we can to generate funding at the State and local level, and I would welcome the opportunity to sit down with any of you and tell you more about that. I am proud of our effort.

For instance, we generally receive funds from the State of Georgia for Capital Outlay Projects. However, these funds are insufficient to address even our ongoing renovation and modification needs. As a result, our school districts have also approved Special Purpose Local Option Sales Taxes to fund our existing needs.

We realize that our revenue base will increase somewhat because of the soldiers and their families coming into our area. In addition, we also will continue to receive Federal Impact Aid through the Department of Education for all of our federally-connected students, and these payments will increase as the number of federally-connected students in our districts increase. However, we have statistical models demonstrating that these revenue increases do not come close to solving our problem.

For instance, while many of these military families live off-base, their homes in the community do not add significantly to the property tax base. The biggest property tax revenue sources are large, expensive homes (which military families generally do not inhabit) and, more importantly, local businesses. While Fort Benning will certainly expand, its operations are exempt from taxes and thus do not contribute to the local tax revenue. Meanwhile, the operating cost of each student in our school district is roughly $6,600. Yet, we generally receive only $225–$250 per student in Federal Impact Aid, and much of this funding takes 1 to 2 years to arrive. As a result, the Impact Aid does not even approach our ongoing costs of educating these students, and certainly would not provide any funding for construction of new classrooms.

I would also like to point out that there is a precedent for Federal help right here within Muscogee County. During World War II, the Korean War, and the Vietnam

War, Fort Benning was subject to similar dramatic increases in personnel. During these periods, the Federal Government partnered with the Muscogee County School District to build a total of 15 new schools and make additions at 8 others to accommodate the increased number of school-aged children of Fort Benning personnel.

Let me also stress that we are seeking Federal assistance only to handle this sudden influx of students directly connected to these military actions. I don't want to leave the impression that we are using this unique situation as a way to secure Federal funding for our other problems. As I noted, we are already taking other steps to address our existing problems.

CONCLUSION

In closing, let me say that the people of our area are more than willing to step up to this challenge. We are proud to have the future of these young people in our hands. You will find that we will do our part and more in dealing with this situation.

But in order to fulfill this mission, we need to have help from the Federal Government in building new schools and classrooms to house these students. Unfortunately, the clock is ticking, and the armor-piercing issue is simple. If we are to maintain a strong, voluntary Armed Forces, we must provide a quality-of-life for our military families which they so richly deserve. Without Federal assistance, it is not within our reach. Again, I thank you for your attention and for the opportunity to come before you today.

Senator GRAHAM. We are adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR LINDSEY O. GRAHAM

NATIONAL SECURITY PERSONNEL SYSTEM

1. Senator GRAHAM. Secretary Chu, on February 27, Judge Emmet Sullivan of the United States District Court ruled that the DOD's implementation of the National Security Personnel System (NSPS) does not meet the letter of the law concerning the guarantee of collective bargaining rights, independent review of labor decisions, and fair treatment of employees who appeal disciplinary actions. What is the status of NSPS implementation as a result of this decision? Please provide revised implementation plans and new milestones.

Secretary CHU. The DOD and Office of Personnel Management (OPM) are working with the Department of Justice to determine the next steps regarding the February 27th District Court decision that enjoins implementing parts of NSPS. The affected portions of the NSPS final regulations are Subpart G, Adverse Actions; Subpart H, Appeals; and Subpart I, Labor-Management Relations.

The lawsuit did not challenge NSPS's performance management, compensation and classification, staffing, and workforce shaping provisions. Beginning in late April, the Department intends to implement these provisions to 11,000 employees in Spiral 1.1 organizations. The Department is reviewing its options for deployment of Spirals 1.2 and 1.3, planned for later this year and early in 2007, respectively.

NSPS contributes to overall DOD transformation. Accordingly, the ability to recruit, shape, and sustain the civilian workforce to meet the mission will continue to drive NSPS's strategy.

INCREASE IN TRICARE FEES

2. Senator GRAHAM. Secretary Chu, Secretary Rumsfeld testified that a major factor in DOD's growing health care costs is "private employers . . . increasingly are asking military retirees on their payrolls to use TRICARE to avoid having to pay insurance premiums for those employees." Has your office initiated any investigation into this practice among defense contractors?

Secretary CHU. We are surveying the Web sites of some of our major contractors to determine if they include special health benefit offerings to their employees who are eligible for TRICARE. This cursory review indicates that Northrop Grumman, Raytheon, BAE Systems, and L3 Communications are among the companies offering such programs, and that Boeing has proposed it to certain unionized employees.

To understand the implications, consider this quote from a military beneficiary on an Internet forum, discussing health benefits for post-military employment: "Actually my TRICARE supplement is through my employer. Instead of taking their single insurance which costs them $483 a month, they provide me with the TRICARE supplement offered by ASI which only costs them $160 a month and covers my en-

tire family. They save $323 and I get 100 percent free (no co-pays, no deductibles) insurance that allows me to go to whatever doctor I want, when I want, with no referrals. Spent 2 weeks in the hospital a way back and my cost share was zero. I get scripts filled at the base for free as well. It is the best of all worlds."

The overarching issue is the appropriateness of such offerings, given the long-established premise that TRICARE (and its predecessor, the Civilian Health and Medical Program of the Uniformed Services) would be the secondary payor to health benefits provided by other employers. We are seeing the same approach spread to employees of State governments, including Alabama, Florida, Nebraska, North Carolina, South Carolina, Texas, and Washington. Frequently this is characterized as a win for the employee, for the State government, and for State taxpayers. I would submit that the losers are the Federal taxpayers who face ever-increasing expenses for TRICARE.

3. Senator GRAHAM. Secretary Chu, is it not true that a DOD contractor who charges the government for employee health benefits, then urges employees to seek health care under TRICARE in order to avoid paying for those benefits, would be gaining a double benefit, at taxpayer expense?

Secretary CHU. The answer to that question depends on the nature of the contract (e.g., fixed price or cost plus) and, if cost plus, whether the contractor attempts to recover costs that it does not incur (in other words, whether the contractor's reduced costs for health care for these employees are reflected in its costing information and payments to the government).

4. Senator GRAHAM. Secretary Chu, given Secretary Rumsfeld's testimony, do you agree that this is worth looking into and referring to the Inspector General for investigation?

Secretary CHU. I do believe that the matter warrants further investigation, to confirm that contractor's billings are appropriate and to determine whether there are steps that should be taken to ensure the proper relationship of TRICARE benefits to health benefits obtained through post-retirement employment.

RECRUITING AND RETENTION OF MEDICAL PERSONNEL

5. Senator GRAHAM. Secretary Chu, General Hagenbeck, Admiral Harvey, and General Brady, while recent investments in recruiting and retention appear to be paying off, failure to achieve goals for medical personnel is significant—and will be very difficult to overcome. For example, for the Army and Navy in fiscal year 2005, 199 fully paid health professions scholarships for medical students were "left on the table—unused" due to failure to recruit young students interested in military medical careers. We are facing a potential crisis in recruitment of medical, dental, and nurse corps in the Active and Reserve components, especially in the Army where medical requirements have increased as a result of Army transformation and modularity. Gentlemen, what do you plan to do about it and what additional authorities, if any, do you need?

Secretary CHU. We are awaiting the most recent Health Manpower and Personnel Data System (HMPDS) analysis. When that data analysis is complete, we will make recommendations in changes to special pays to target or increase incentives for critically short specialties.

For anesthesiologists and radiologists, we are still below the congressional ceilings for special pays so they can be increased without congressional action. Last year, Congress increased the special pay authorization for certified registered nurse anesthetics (CRNAs) and the Services have implemented those increases. We will assess the impact based on the HMPDS data. Congress also provided an increase in the Nurse Officer Accession Bonus which allows the Services to pay an accession bonus to a nurse officer in an amount not to exceed $15,000 for a 4-year obligation. We are awaiting the HMPDS data to determine the effect of this incentive. Retention of general dentists continues to decline. We received authority in the NDAA for Fiscal Year 2006 to offer oral and maxillofacial surgeons an Incentive Special Pay (ISP), but we do not have a general dental ISP. There is a Dental Officer Multiyear Retention Bonus (DOMRB), but that is only for dental specialists. In the civilian sector, general dentists' pay has risen faster than physicians' pay.

In terms of what congressional action is needed, we are not requesting any at this time, but we may ask for additional authority in the future. Special pay for physicians has some room for expansion. We can increase the ISP and medical special pay for physicians and stay within the congressional ceilings. We are awaiting the

HMPDS data analysis to determine the effect the CRNA special pays has had on retention.

The Services are reviewing their options to address their need for dentists. Use of the Critical Skills Retention Bonus (CSRB) is one option under consideration. We have increased the DOMRB amounts for several of the dental specialties. We will closely monitor retention for all dentists. If needed, we will consider requesting an increase in the DOMRB and also the opportunity to use it for general dentists. We are also reviewing with the Services whether to request legislative action to provide additional incentives for dentists.

The QDR has also proposed a pilot program to use larger incentives to test accessing more fully trained providers needed for wartime critical specialties. We are working with the Services to develop a specific proposal.

General HAGENBECK. The Health Professions Scholarship Program (HPSP) continues to provide us with the majority of our medical, dental, and veterinary force. Currently we have over 1,500 active participants and our recruitment efforts in fiscal year 2006 will take us well over 1,600. In fiscal year 2005, we experienced challenges in filling all of the available allocations. Our strategic focus is to assist United States Army Recruiting Command (USAREC) in developing the appropriate tools and incentives to accomplish their mission in the recruitment of AMEDD officers for both the Active and Reserve Forces. The Army is conducting a variety of initiatives to increase accessions of medical professionals. The year, The Army Surgeon General initiated a new program, entitled "Peer to Peer," with the goal to increase HPSP accessions. Medical Corps officers will directly support health care recruiters during on-campus recruiting by addressing a group of medical students, telling their Army story emphasizing why they joined the Army and why they have remained in the Army. The Army Medical Department is augmenting USAREC recruiting booths with Active-Duty Medical Corps officers at national conventions this year. The Army is also reviewing a pilot program to expedite the applicant process and shorten the time from contacting the applicant to accession into the Army. The Army is also working with our sister Services and the Office of the Secretary of Defense (OSD) to maximize use of existing DOD authorities to improve accessions of medical professionals. Increasing current dollar amounts for existing loan repayment programs and expanding loan repayment programs to additional specialties and the Reserve components is one area we are pursuing. We need to revise triservice concurrence rules on accessions and retention incentives that limit flexibility for meeting Army needs. Establishing health professions accession bonus and a generic health professions bonus would assist USAREC direct recruiting mission. We would like to adjust the HPSP stipend to account for cost-of-living increases and allow HPSP time to count towards basic pay computations.

Admiral HARVEY. While the specific reasons that Health Professions Scholarships went unused this past year are unclear, I am aware that the Uniformed Services University of Health Sciences (USUHS) received more applications than they had available opportunities. I am looking to see whether we have an effective process in place for informing non-select USUHS applicants of the availability of Health Professions Scholarships. I am also evaluating the potential benefits associated with conducting a pilot of the HPSP modeled on, and incorporating the best practices of, our Judge Advocate General Corps accession programs, to determine if this might enhance the incentive power of HPSP.

I am not yet able to identify additional legislative authorities required. I am working first to maximize use of existing authorities and to implement recruiting and retention incentives that are available to me without new legislation. I will offer appropriate recommendations on both policy and legislative initiatives to Navy and Defense leadership in the next several weeks.

Some corrective actions are already underway. For example, Navy Medicine has recently reallocated funds for the Health Professions Loan Repayment Program to improve recruiting and retention across all medical communities. I am also evaluating policy actions within existing authority to establish critical skills accession bonuses for Medical Corps and Dental Corps Health Professions Scholarship Students and Direct Accession Dentists.

To address shortfalls within the Nurse Corps, I have increased accession goals in our traditionally successful student pipeline programs and am weighing further increases. This market has been a more productive source than direct accessions. I am evaluating a CSRB for this community to address continuation shortfalls among Navy nurses at 7–9 years of commissioned service. I am also evaluating the use of CSRB for junior dentists with 3 to 8 years of service. Currently 61 percent of Navy's junior dentists leave the Navy at their first career decision point.

In concert with the recommendations of the Defense Advisory Committee on Military Compensation and the impending 10th Quadrennial Review of Military Com-

pensation, I will continue to evaluate the need for enhancements to incentives to attract and retain personnel with critical health professions skills.

General BRADY. In the past, the Air Force attempted to recruit the majority of its medical, dental, and nurse corps officers from the "fully qualified" market of graduated medical professionals. This hasn't met our requirements for many years. There are insufficient accession incentives (i.e., bonuses and loan repayments) to bring these fully trained professionals into the Air Force.

Our Air Force Recruiting Service, in close cooperation with our Surgeon General, implemented the following changes to improve recruiting: Dedicated a major portion of its 272 officer accession recruiters to recruit health care providers, streamlined the application and selection process, made assignments available prior to the completion of a 2–6 month application process, and increased outreach programs aimed to hospital and dental school teaching staff such as Health Profession Educator Tours to expose these influencers to Air Force Medicine firsthand.

We will also refocus on the student market and increase accession bonuses in future years. We realize that increased funding of Health Profession Scholarship Programs (medical and dental school) and Financial Assistance Programs (medical and dental residency) to attract these students will be required. If a shift to the student market is not possible, significant improvement in accession incentives will be necessary to attract the fully qualified market. We will also explore the benefit of establishing adequate loan repayment programs for medical, dental, and nurse corps applicants.

ARMY DEPLOYMENT CYCLE SUPPORT FOR FAMILIES

6. Senator GRAHAM. General Hagenbeck, in your statement you acknowledge that the Army Deployment Cycle Support Program provides needed services to members and their families—before, during, and after mobilization. We agree, and yet the request for funding in fiscal year 2007 is reduced by half. Would you please look into the reasons for this reduction and provide assurances that there will be no erosion in deployment support for military members and their families?

General HAGENBECK. The Army Deployment Cycle Support (DCS) cost reduction is based on contract support cost, not funding reduction. The DCS contract support for base year (May 2005 to April 2006) is $1,029,806. Contract support for option year one (May 2006 to April 2007) is $1,034,737. The current DCS Program contract expires in September 2007. Therefore, the projected contract cost for the remaining 5 months from May to September 2007 (fiscal year 2007) is $433,250. The projected lower cost for "Option Year Two" year is based on a 5-month period of performance (May–September 2007) versus the standard 12-month period for the prior 2 years.

MEDICAL CARE PROBLEMS AT NAVAL HOSPITAL JACKSONVILLE

7. Senator GRAHAM. Admiral Harvey, the Navy Times recently reported that a military physician, who acknowledged negligence in a malpractice claim at Naval Hospital, Jacksonville, Florida, involving 15 instances of substandard care, has been reassigned to Cherry Point, North Carolina, where she continues to treat military patients. Are you aware of this situation and are you concerned that Navy medicine will be seen as a haven for poor performing physicians as a result?

Admiral HARVEY. Each adverse medical event is tragic for the patient and for their family. Navy medicine provides excellent, high quality care to thousands of beneficiaries every day, including at Naval Hospital Jacksonville. As unfortunate as adverse medical events are, not all bad outcomes are the result of physician error.

Navy medicine has detailed and robust quality assurance processes that are designed to provide the highest quality-of-care, to prevent adverse outcomes, to rapidly and thoroughly treat those who suffer an untoward event, and to systematically address and resolve what we identify as root causes of variation or substandard performance. Quality Assurance (QA) processes include ensuring proper training, credentialing, privileging, continuing education, and practice performance and review for all physicians and other independent practitioners. QA processes also include adverse event reviews, including in the case referenced in the above question, that promote timely identification and correction of process or system issues, address any provider competency issues, identify trends, and determine whether standards of care have been breached.

The provider referenced in this question underwent prolonged deposition testimony in relation to a malpractice claim that had been filed for care provided at Naval Hospital Jacksonville in 2002. During that testimony (a short video clip of which was placed by the Florida Times-Union on their public Web site), the provider

indicated she had not reviewed all of the patient's prior medical records, in part because they were not readily locatable in the medical records department, before scheduling the patient's surgery. The reference to "15 instances of substandard care" relates to testimony by plaintiff's expert witness that alleged this number of failures to meet the standard of care. Media reports have provided this number out of context in a way that wrongly implies that the court found that there was this number of instances of substandard care in the case and that this provider admitted to 15 separate mistakes. We are providing further specifics regarding the cases cited in Navy Times, including Section 1102—protected QA information, to Senator Warner and to SASC professional staff members in appropriate closed settings.

The care in this and other cases at Naval Hospital Jacksonville has been thoroughly reviewed, including by external review agencies under contract with Navy and DOD. No discernible negative trend in care has been identified. Nevertheless, Naval Hospital Jacksonville and Navy medicine will not rest in their efforts to eliminate adverse medical outcomes. Further, no provider continues to practice in Navy medicine unless privileging and QA reviews confirm that they meet high standards for professional competence.

I remain confident in the high quality of the medical care we provide and in the knowledge, training, experience, and professional abilities of our providers.

MILITARY QUALITY-OF-LIFE AND FAMILY SUPPORT

8. Senator GRAHAM. Secretary Chu, General Hagenbeck, Admiral Harvey, General Osman, and General Brady, we all know that the decision to join or remain in military service often rests with the satisfaction of the family with health care, housing, and other vital quality-of-life programs. Yet this year the budget assumes significant increases in out-of-pocket for TRICARE for military retirees. Morale, welfare, and recreation (MWR) funding has declined in important areas. Last year, Congress stepped in to reduce the longstanding deficit in child care services, but there is still a shortfall of nearly 30,000 child care spaces throughout DOD. Even in a time of constrained resources, we cannot let support to families deteriorate. I ask each of you to comment on these challenges, and explain why the budget does not request more for these vital quality-of-life programs.

Secretary CHU. Senator, thank you for the opportunity to address both the importance of quality-of-life programs and their funding. From a departmental perspective, this committee has been extremely supportive of the quality-of-life of our service men and women. This is especially true in the areas of child care, support of severely injured servicemembers, non-medical counseling, privatized housing, medical care, and other important programs. Your support of our servicemembers and their families has had a dramatic and beneficial impact on their quality-of-life, morale, and readiness.

The DOD is trying to achieve equity across the Services in quality-of-life program delivery. We have made progress in the Off-Duty Voluntary Education/Tuition Assistance program.

The Army, Marine Corps, and Air Force achieved the DOD uniform tuition assistance goal that funds up to 100 percent of out-of-pocket costs for servicemembers attending college in their off-duty time.

In the MWR program, all Services are meeting the funding goal of 85 percent appropriated funding for Category A and 65 percent for Category B activities. However, we are seeing a disparity in the funding per capita for MWR which ranges from $466 to $833. The Department will monitor this closely and we hope to close this gap and achieve equity in the future.

To expand the availability of child care, the Department initiated an emergency intervention strategy in 2005. By purchasing modular facilities and renovating and expanding current facilities, we will create 4,077 child care spaces at 35 locations in fiscal year 2006. Authorizations for child care construction granted in the NDAA for Fiscal Year 2006 will allow the DOD to continue to address the most pressing child care needs.

General HAGENBECK. The Army recognized the challenges that constrained resources and competing priorities place on balancing the full spectrum of Army programs, including quality-of-life and family support. The Army's base budget reflects the priorities necessary to meet Army Campaign Plan priorities.

The Army's fiscal year 2007 budget request invests significant resources for quality-of-life programs. This includes $67.7 million in military construction funding for eight child development centers, as well as $26.0 million for a single project that includes two facilities: a physical fitness center and a child care center. The request also includes $97.7 million in operations and maintenance funding for family cen-

ters, $180.9 million for child care programs, $58.5 million for youth programs, and $211.1 million for MWR programs.

The request also includes $1,271.8 million for Army family housing to replace or renovate 1,622 homes, privatize 6,239 additional homes, operate and sustain 45,500 Government-owned and leased homes, provide housing services for the 67 percent of soldiers residing off post, and manage over 76,600 privatized homes.

TRICARE is a comprehensive health benefit, and our retirees' cost-shares have not increased in more than 10 years. In fact, real out-of-pocket costs have decreased. Out of the fiscal year 2006 budget, TRICARE makes up $19 billion, 8 percent of the DOD budget. DOD now predicts that health care costs will consume 12 percent of the DOD budget by 2015. This rate of growth is not sustainable within the existing budget and action must be taken to ensure that health care costs do not erode the Army's readiness and modernization programs. The President's budget request includes actions to help stem this cost growth and index fees to inflation. The Army believes these proposals are a reasonable approach to protecting readiness and modernization programs from health care inflation while sustaining a superior health care benefit for our current and future retirees.

Admiral HARVEY. In regards to MWR funding, Navy MWR funding has declined from the high water mark set in fiscal year 2003 but the Navy remains committed to quality MWR programs for sailors and their families by providing the right level of service through the most efficient delivery mechanism possible. The Navy has streamlined and implemented business improvements, which will reduce overhead costs before reducing program delivery to sailors.

The decline in MWR funding from fiscal year 2004 to fiscal year 2005 was ameliorated by two important Navy actions that helped maintain a quality MWR program. First, through internal funding realignments, appropriated funds (APF) support for MWR was increased for fiscal year 2005. Direct APF for fiscal year 2005 totaled almost $297 million, an increase of over $28 million from the amount previously programmed. Second, Navy used $18 million in non-appropriated funds (NAFs) earmarked for capital improvements to fund operational expenses in fiscal year 2005. This strategy greatly reduced the direct impact on program delivery to sailors and their families at the cost of a short-term reduction in capitalization.

Programmed appropriated fund support for MWR in fiscal year 2006 increased to over $300 million. As we continue to seek efficiencies in back shop operations to protect program dollars, we have established additional funding priorities to protect the core MWR programs to the fullest extent possible. Included in these priorities are fitness, afloat recreation and movies, single sailor, and child and youth programs.

Our sailors and their families greatly appreciate your support for our efforts to reduce the shortfall of child-care spaces. With your continued support, several initiatives that we have underway will provide facilities that will reduce our waiting list by about 625 spaces (about 8 percent) by fiscal year 2007. The Navy is currently considering a variety of funding alternatives to support this growing program in the out years.

The Navy will continue to provide funding for all core programs that are supported by sailors along with supporting more robust program delivery for deployed forces and outside the continental United States sites due to the stresses involved at those sites.

General OSMAN. Marine Corps MWR funding has not declined. In fact, MWR programs have benefited from an appropriated funding ramp that began in fiscal year 1996 in order to meet OSD funding goals for MWR Category A and B Programs of 85 percent and 65 percent, respectively. Our fiscal year 2005 funding execution was 92 percent (for Category A) and 71 percent (for Category B). MWR has not been the only quality-of-life program to receive funding increases. Substantial resources have been invested in all areas of quality-of-life to include pay and compensation, housing, health care, community services, and installation infrastructure.

In terms of the child care benefit, the Marine Corps is currently exceeding DOD's potential need standard of 65 percent of need. At 70 percent (12,562 spaces), we continue to strive toward the fiscal year 2007 DOD target of 80 percent.

General BRADY. The DOD's health care budget for fiscal year 2006 is $38 billion, a 100 percent increase from the $19 billion budget in fiscal 2001. Incremental changes to TRICARE's cost sharing are needed to ensure the continuation of an affordable and comprehensive health benefit for Active-Duty, National Guard, reservists, retirees, and their families.

Military members are called upon to endure hardship and turbulence over the course of a full and successful career that few other Americans experience. Changes to their earned benefits, flowing as a result of those sacrifices, should be carefully assessed, should recognize the unique nature of military service, and must be done fairly and equitably.

MWR activities are funded with a combination of taxpayer dollars, APFs, and self-generated NAFs. APFs can be used in MWR programs; Congress has directed the grouping of these activities in three categories:

Category A (mission essential—receives 100 percent APF funding): Activities that support the warfighter, such as fitness centers, intramural sports, libraries, recreation centers, basic recreation, and parks.

Category B (essential to community and family support—receives at least 50 percent APF funding): Examples include child development, youth programs, recreation pools, outdoor recreation, skills development, bowling centers (12 lanes and under), marinas (without resale), and tickets/travel services.

Category C (business activities—limited APF funding support, must generate their own funding through profits): Contains activities that have revenue-generating capability such as clubs, golf courses, bowling (13 lanes or more), retail stores, snack bars, aero clubs, marinas (with resale), and base restaurants.

Appropriated funds for Air Force MWR programs have shown consistent growth over the years. Air Force leaders have listened to Congress about what should be funded with APFs rather than NAFs. As a matter of policy, we won't use NAFs where APFs are authorized.

Regarding child care, the Air Force currently has a 6,300-space child care shortfall, and has a plan to eliminate this deficit by 2011. An increase of 1,553 spaces through minor construction was funded in fiscal year 2005 and an additional 774 spaces have been identified for 2006 as funds become available. Twelve military construction projects in fiscal years 2008–2011 will add 3,000 more spaces, and another funded initiative will provide an additional 1,000 spaces in on- and off-base in-home care.

QUESTIONS SUBMITTED BY SENATOR SAXBY CHAMBLISS

EDUCATION

9. Senator CHAMBLISS. Secretary Chu, the Department of Defense (DOD) is clearly undergoing a series of tremendous changes through Base Realignment and Closure (BRAC), the DOD transformation initiative, and the global re-basing initiative. These changes will have a dramatic impact not only on our country's military installations, but also on their neighboring civilian communities. In particular, people from local school districts near Fort Benning have expressed great concern about the "perfect storm" brewing that will result in a huge influx of school-age children.

The National Defense Authorization Act (NDAA) for Fiscal Year 2006 includes a provision authorizing a limited amount of funding to assist local educational agencies in adjusting to these changes in student levels. In addition, the conference report for this act includes language directing the Department to prepare a detailed report to the House and Senate Armed Services Committees on this issue, including how the Department will assist local education agencies in accommodating these incoming students. Meanwhile, the House report on the fiscal year 2006 Labor/Health and Human Services/Education appropriations bill also urges the Secretary of Education to consult with the DOD on the effect these actions will have on the Impact Aid Program.

While these are important first steps, I believe the scope of this problem may be much greater than it first appeared. In the Chattahoochee Valley school districts surrounding Fort Benning, they could receive a direct increase of more than 10,000 students over the next few years just from these various defense initiatives, not to mention expected indirect growth from these actions, as well as natural community growth. This amount of growth in students as a result of a BRAC realignment, to my knowledge, is unprecedented and to place the fiscal burden for accommodating this growth completely on local communities, many of which have a low to moderate tax base, is equally problematic.

I recognize that the Department has been asked to prepare a detailed report on this situation by July 6, 2006. However, I would appreciate anything you can share with the committee at this point regarding what general steps the Department is taking to assist local educational agencies to accommodate the influx of students resulting from these Department actions?

Secretary CHU. We are working with the Services to determine the number of military dependent students and a timetable to help communities plan for school expansion needs. Recently, the Army asked each impacted installation to confirm or adjust the numbers previously reported to ensure accuracy. Additionally, we are working closely with the Department of Education and our DOD Office of Economic Adjustment to coordinate our efforts to find ways of offering impacted communities

an array of successful strategies to help meet their needs. The DOD Office of Economic Adjustment is hosting a meeting in May 2006, in Atlanta, Georgia, for communities that are experiencing the impact of BRAC. This forum will provide an opportunity to address these issues and possible solutions.

10. Senator CHAMBLISS. Secretary Chu, do you believe that the funding thus far authorized by Congress will be sufficient to ensure that students in impacted school districts receive an education equivalent to that offered other students in non-impacted areas?

Secretary CHU. The authorized funds in the NDAA for Fiscal Year 2006 may be sufficient since they are for those schools with enrollment changes during the school year 2003–2004. Impact Aid is funded after the school year ends. Unfortunately, Impact Aid does not help the transition of children in the actual year of impact.

11. Senator CHAMBLISS. Secretary Chu, have previous BRAC rounds resulted in the influx of military dependent students as large as this round? If so, how was that growth dealt with by the Department and the Federal Government?

Secretary CHU. No. Consequently, we have not had the opportunity to experience the type of growth expected.

QUESTIONS SUBMITTED BY SENATOR ELIZABETH DOLE

MILITARY FINANCIAL EDUCATION PROGRAM

12. Senator DOLE. Secretary Chu, on February 16, the DOD launched the Military Financial Education Program to help military personnel manage their money better and protect them from unscrupulous financial institutions. While I applaud this effort by the Department, I am still concerned about predatory lending practices directed at members of the Armed Forces and their families. Included in the NDAA for Fiscal Year 2006 is a provision that requires a report on predatory lending (section 579). As a part of the report, will you be able to give an assessment of the effects of the Military Financial Education Program?

Secretary CHU. We appreciate the opportunity to report back to you on the prevalence and impact of predatory lending, as well as ongoing and planned efforts to educate servicemembers and to deal with the prevalence of these practices. We are currently in the process of collecting data on installation-level initiatives to educate servicemembers and their spouses. We look forward to sharing this information with you in the coming months.

On February 16, I joined Members of Congress and the leadership of the National Association of Securities Dealers (NASD) in launching the NASD Foundation Financial Awareness and Education Initiative in support of servicemembers and their families. Their effort adds to the support provided by other nonprofit organizations and Federal agencies to assist the military Services in making servicemembers and their families more aware of financial concerns and educating them on managing their money wisely.

The Department's efforts to increase awareness and understanding of financial principles and the potential negative impact of predatory lending is ongoing, and as we measure the amount of education being provided, we are also measuring the percentage of servicemembers who say on surveys they have used predatory lending products. We will be able to report the percentage using these lending practices as part of the report, but we believe it will be too soon to determine if educational programs have affected their choices.

13. Senator DOLE. Secretary Chu, how many "hits" has the online resource center averaged per month?

Secretary CHU. The NASD Foundation sponsored Web site at www.saveandinvest.org averaged 650,770 hits per month during the period February 1 to March 21, 2006 (from inception to the present).

14. Senator DOLE. Secretary Chu, how many servicemembers were provided on-the-ground training?

Secretary CHU. The on-the-ground training phase of the NASD Foundation partnership begins in April 2006. The first series of sessions will be conducted in the Pacific, with scheduled programs April 12–21, in Honolulu, Hawaii; Okinawa, Japan; and Yokosuka, Japan. Educational events are also set for the U.S.S. *Ronald Reagan* in April and Kings Bay, Georgia in June.

Our training campaign to ensure competency in personal finance, enhance awareness, and enhance consumer protection is well underway. The military Services and over 26 Federal agencies and nonprofit organizations provide information to servicemembers and their families. We are collecting data on installation-level initiatives to educate servicemembers and their spouses. That information will be provided to you in the coming months.

15. Senator DOLE. Secretary Chu, how many on-base awareness programs were conducted concerning predatory lending?

Secretary CHU. There have been several sessions conducted by the military Services concerning predatory lending over the past 12 months. We will provide a number as part of the section 579 report requirement.

There have been several financial fairs conducted at military installations, which have included exhibitors and presentations that included predatory lending. We have had assistance from organizations such as the Federal Trade Commission, the National Association of Consumer Advocates, members of the National Association for Credit Counseling, the Center for Responsible Lending, the InCharge Institute, and the Better Business Bureau to assist in these presentations. Additionally, the military Services provide information about predatory lending as part of their training on personal finances to junior enlisted and officers as part of technical training or at their first duty station.

16. Senator DOLE. Secretary Chu, how effective is the public outreach campaign?

Secretary CHU. The launch of the NASD Foundation program has been considered very successful, considering the number of visits thus far to their Web site. Another indication is the response from military installations to host on-base educational programs.

In addition to the public outreach campaign sponsored by the NASD Foundation, the American Savings Education Council has provided over 60 award winning public service announcements (PSAs), that have been featured on American Forces Radio and Television Service, along with "Military Money Minute" radio spots provided by the InCharge Institute and two seasons of the "Moneywise" television show provided by Kelvin Boston and New River Media. We do not have direct measures concerning the effectiveness of these PSAs; however the leading indicators used by the Department to assess overall financial readiness of the force have continued to improve over the past 4 years. When asked how they assess their financial condition, the percentage of junior enlisted servicemembers (financially most vulnerable) who answered that they were finding it "tough to make ends meet but keeping your head above water," or "in over your head," has decreased from 26 percent in 2002 to 14 percent in 2006.

ARMED FORCES HEALTH LONGITUDINAL TECHNOLOGY APPLICATION

17. Senator DOLE. Secretary Chu, the advances made in battlefield medicine are contributing to an incredible survival rate for those wounded in Iraq and Afghanistan. How will the Armed Forces Health Longitudinal Technology Application (AHLTA) be integrated worldwide, such as into our field hospital in Balad, Iraq, so we are able to support our Armed Forces wherever they may be deployed in support of the global war on terrorism?

Secretary CHU. The Theater Medical Information Program (TMIP), intended for use in the theater environment, integrates components of various medical information systems to ensure timely, interoperable medical support for rapid mobilization, deployment, and sustainment of theater forces during combat operations.

In support of Operation Iraqi Freedom, TMIP is currently deployed to medical units in Iraq and Kuwait. Medical personnel use TMIP to support health care operations, capture electronic patient encounter information, and transfer health care information to the Joint Medical Work Station (JMeWS). Records stored in JMeWS support command and control and health surveillance. This information is securely transmitted to the stateside AHLTA clinical data repository, where each individual soldier's longitudinal electronic health record is maintained. At the point of discharge from the Service, health data is transmitted to the Veterans Health Administration.

18. Senator DOLE. Secretary Chu, when do you expect AHLTA to be fully integrated?

Secretary CHU. The implementation of AHLTA across the Military Health System in support of our 9.2 million beneficiaries will be completed in December 2006. Addi-

tional enhancements to AHLTA's capabilities, to include electronic dental records, will continue through 2011.

QUESTIONS SUBMITTED BY SENATOR EDWARD M. KENNEDY

QUALIFIED POOL OF ELIGIBLE YOUTH FOR RECRUITING

19. Senator KENNEDY. Secretary Chu, during testimony at the Senate Armed Services Committee Army posture hearing, General Schoomaker, Chief of Staff, United States Army, testified that only 3 of 10 males age 17–24 are qualified to serve in the Army. This point came up during an exchange with Senator Lieberman where General Schoomaker was explaining that any proposed increase in Army end strength was an academic discussion because the Army, including Guard and Reserve, would be unable to recruit above the current goal of 170,000 per year due to the limited pool of qualified youth.

This issue lies at the heart of our ability to affordably recruit for our Armed Forces. It may speak to flaws in our national social and educational policies for developing our Nation's youth. Of note, a New York Times op-ed that same day highlighted the dangers, both to the Service and to the individual, of lowering recruiting standards. This confirms the importance of improving the qualifications of the youth pool, as opposed to considering lowering recruiting standards. Does the DOD concur with the Army's analysis?

20. Senator KENNEDY. Secretary Chu, why are so few of our male youth qualified to enlist?

21. Senator KENNEDY. Secretary Chu, what are the trends?

22. Senator KENNEDY. Secretary Chu, most importantly, what can be done to improve the size of the pool over the long term without lowering standards?

Secretary CHU. A number of independent studies have estimated the size of the qualified pool of eligible youth and have arrived at conclusions similar to those cited by the Army. The principal disqualifying factor lies in the medical area, principally in physical conditioning, as demonstrated by high body fat.

Obesity is becoming far more prevalent today. In 1980, 5 percent of youth were obese; today, 15 percent are, with another 15 percent coming close. Fully two-thirds of youth are overweight. It has been reported that today only 20 percent of young men and women participate in organized sports, far fewer than the 80 percent figure cited for 1970. Also, many more youth today report disqualifying medical conditions such as asthma or attention deficit disorder.

The Department is working hard to identify subsets of these groups who might qualify by way of a waiver, despite their disqualifying medical condition. In terms of asthma and attention deficit disorders, we have updated and revised the enlistment standards in a medically sound way to expand the number of young people eligible without compromising safety and job performance. Likewise, we have identified screens (including a form of the Harvard Step Test) that may be employed to identify those who, while above current body fat standards, are likely to successfully complete basic training.

Even so, it remains challenging for the military to recruit sufficient numbers owing to a reluctance by key influencers (parents, teachers, and coaches, for example) to recommend military service. We must change the viewpoint of influencers to one that attaches far greater value to the nobility to military service, and ask that Congress join the Department in that pursuit. Our Joint Advertising and Marketing Research and Studies program is directing all of its energies to that end.

IMPACT OF TRICARE CHANGES

23. Senator KENNEDY. General Hagenbeck, during the Army posture hearing there was considerable discussion about strain on the Army and the potential need for increased end strength. At one point General Schoomaker responded that even if the Army increased end strength, it would be difficult to achieve in view of recruiting challenges. If this is the case, then isn't it in our interest to make our best efforts to retain the force, particularly the mid-grade noncommissioned officers (NCOs) and officers so critical to leading the soldiers?

General HAGENBECK. The Army is retaining soldiers at exceptionally high levels. Since 2002, we have exceeded our total Army retention goals every year, culminating with 106 percent of our combined (AC, USAR, and ARNG) overall Army goal in 2005. In a time of war and with the pace of current operations, this is a significant indicator of the quality of leadership within our ranks, the fact that soldiers believe in what they are doing and value the traditions of service to the Nation.

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 the retention of our soldiers, especially the midgrade NCOs. Officer retention has taken on renewed interest not because of an increase in officer loss rates, but because of a significant force structure growth and modularity. The Army is short roughly 3,500 Active component officers, most of which are senior captains and majors. While the overall company grade loss rates are not alarming, the Army is being proactive and is working several initiatives to retain more of our best and brightest officers. These initiatives include higher promotion rates, earlier promotion pin-on points, expanded graduate school opportunities, branch and posting for Active service, and officer critical skills retention bonus.

24. Senator KENNEDY. General Hagenbeck, in that case, it would seem that we would want to maintain the benefits that Congress has worked, in a bipartisan manner, to establish. If we want to retain these leaders, why is it appropriate to increase the TRICARE cost-share for some retirees?

General HAGENBECK. Congress' and the DOD's decision to make no upward adjustments in beneficiary out-of-pocket costs for over 11 years was very helpful to military families. We believe now is the time to begin to act in order to preserve the comprehensiveness of the military health benefit for all categories of beneficiaries into the future. The DOD designed the proposed cost-shares to ensure no out-of-pocket increases for soldiers, minimal changes in pharmacy co-payments for Active-Duty family members, and to renorm retiree cost-shares to 1995 levels. Further, the DOD agreed that we should tier retiree cost-shares so junior enlisted retirees do not have to pay the same cost-shares as officers. Delaying these adjustments will only force more extreme increases in the future and have the potential to consume a larger portion of the budget that is needed for modernization and readiness programs.

25. Senator KENNEDY. General Hagenbeck, don't you think the soldiers who are making career decisions will see a change in their retirement benefits as breaking the faith with them?

General HAGENBECK. A recent survey by the U.S. Army Research Institute (ARI) suggests that retirement benefits and the continuation of benefits may affect retention. Of the top six reasons for enlisted soldiers thinking or planning on leaving the Army before retirement, number six was retirement benefits. While the report indicates retirement benefits as a factor that may affect retention, we have no detailed data that quantifies the impact of changes in TRICARE cost-shares on retention. The conclusion seems logical based upon this and anecdotal evidence that suggests retirement benefits are important to retention and any perceived erosion in benefits could, in fact, negatively impact retention. To mitigate the negative impacts these changes may have on retention, we have done a good job of educating soldiers and retirees on the need for these changes. We believe we can overcome the negative impacts of these proposals by demonstrating that TRICARE will remain a superb health benefit for all soldiers, Active and retired, and their families. Even after these changes, TRICARE will remain a very affordable health care option for retirees. Without these changes, we risk an erosion of the Department's ability to invest in readiness, modernization, and training due to increased health care costs.

EQUITY OF GUARD PAY AND ALLOWANCES WHILE ON SIMILAR STATE AND FEDERAL DUTY

26. Senator KENNEDY. General Hagenbeck, members of the Massachusetts National Guard recently filed lawsuit seeking compensation for out-of-pocket expenses they said they paid after being called to duty. These soldiers indicate they were forced to pay for transportation, lodging, and meals because they were called up on State orders to protect U.S. military bases and water reservoirs from terror attacks after September 11, 2001. Reportedly Guard members called up on Federal orders had similar expenses paid for them by the government. While this particular case affects the Massachusetts Guard, are there similar issues in other States? Are there any policy changes that the Army and National Guard should consider to prevent a repeat of this situation?

General HAGENBECK. Each State has its own rules and regulations regarding compensation for members of the National Guard called to State Active-Duty. We cannot comment on those State entitlements.

For members of the National Guard called to Active-Duty in a title 10 or title 32 status, the DOD, Per Diem and Transportation Allowance Committee, the Defense

Finance and Accounting Service (DFAS), and each of the Services promulgate policy used to determine appropriate reimbursement for official travel-related expenses. Reimbursement for transportation, lodging, and meals for soldiers called to Active-Duty depends on the location of the soldier's residence at the time ordered to Active-Duty, location of duty duration of duty and other factors. Accordingly, some cases may arise in which two soldiers performing similar duties at the same installation may be entitled to different amounts of reimbursement for travel-related expenses.

The National Guard Bureau is reviewing this situation to help achieve a solution. Additionally, the National Guard Bureau knows of no similar instance in other States.

RECRUITING ADVERTISING

27. Senator KENNEDY. Secretary Chu, as you are aware, Congress has a history of providing additional funding to the President's budget submission for the Joint Advertising Market Research and Studies (JAMRS). We have supported the program with the understanding that JAMRS is a key component of the Department's recruiting programs and provides a corporate-level marketing campaign which builds advocacy among parents, teachers, coaches, etc., who are the influencers of youth. We have heard many good things about the program and wonder what is your assessment?

Secretary CHU. The JAMRS program is vital to recruiting efforts. JAMRS provides products and services that support the Active-Duty, Guard, and Reserve recruiting efforts. It also offers the Department invaluable outreach and insight into the adult influencers of youth who may choose to enlist.

JAMRS research indicates adult influencers, particularly parents, play an integral role in the decisions that youth make regarding their future educational and career plans following high school and college. Research also indicates the most important role that influencers play in the enlistment process centers around their ability to have an open and informed discussion about the military. It is important that the Department reach these adult influencers with information that accurately represents the benefits of military service. Congressional support allows the JAMRS program to address this need through a variety of targeted public outreach initiatives, driven by valid and timely market research.

The JAMRS "Today's Military, Get the Facts, Make it a Two-Way Conversation" campaign broadens the public's understanding by exposing over one billion people to information about the military through print, direct marketing, online, and television initiatives. Public outreach creates over six million impressions in high profile national media outlets. A 49 percent increase in Web site visitor-traffic demonstrates the effectiveness of the campaign and the willingness of the public to seek out more information about the military. JAMRS has produced an educational DVD featuring a documentary that highlights extraordinary servicemembers with extraordinary opportunities. The documentary has gained acceptance to air in over 75 percent of the United States. The DVD is also being shipped to 40,000 educators and can be ordered online by schools across the Nation.

In today's increasingly difficult military recruiting environment, the JAMRS mission is more critical than ever. Continued program funding allows marketing research and communications programs to support joint recruitment initiatives, minimizing duplication among the Services, maximizing distribution channels, and broadening the public's understanding of military service.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. AKAKA

CONVERSIONS

28. Senator AKAKA. Secretary Chu, during congressional consideration of the NSPS in 2003, the Department testified that NSPS would aid in 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. You testified today that over 20,000 positions have been converted to date.

Last year you testified that 703 positions were converted to the private sector in fiscal year 2004. Can you tell me the nature of the job or function that was converted to private sector performance and how many of the converted positions for fiscal year 2005 have been subject to competitive sourcing and are now being performed by the private sector? Please detail the job or function that was converted to private sector performance.

Secretary CHU. In previous testimony, we estimated that there were approximately 320,000 positions that could be studied for possible conversion. Since that time, the Department has conducted a series of reviews to identify areas for conversions. In fiscal year 2004, a total of 7,640 military billets were converted to DOD civilian or private sector performance. 836 of these were accomplished through competitive sourcing; 703 of these were converted to private sector performance. The rest remained in-house.

Of the 1,790 Air Force military-to-civilian conversions in fiscal year 2004, 595 were a result of competitive sourcing. Public-private competitions for all these military billets were awarded to private sector contractors. These competitions were predominantly in the following functional areas: Computing Services and/or Data Base Management; Expeditionary Force Operations; Telecommunication Centers; and Management Headquarters—Communications, Computing, and Information Services.

None of the Army's 4,281 or the Navy's 905 conversions for fiscal year 2004 resulted from competitive sourcing. However, installation security guard functions performed by 4,100 Army National Guardsmen were converted to contract performance in fiscal year 2004, and the guardsmen were subsequently demobilized.

Of the 664 military billets converted by the Marine Corps in fiscal year 2004, 241 were a result of competitive sourcing. However, competitions for only 108 of the military billets were awarded to private sector contractors. Competitions for the rest of the billets (133) were awarded to the government and the work was converted to DOD civilian performance. Marine Corps competitions awarded to the private sector involved the following functions: Range Operations, Motor Vehicle Maintenance, Fuel Distribution, Real Property Management and Grounds Maintenance.

In fiscal year 2005, the Army, Navy, and Marine Corps did not convert any military billets through competitive sourcing. However, the Air Force converted 335 billets to private sector performance through competitive sourcing. These competitions were in the following functional areas: Minor Construction, Maintenance, and Repair of Buildings and Structures other than Family Housing; Expeditionary Force Operations; Storage and Warehousing; and Distribution of Petroleum, Oil, and Lubricant Products.

29. Senator AKAKA. Secretary Chu, you also testified that the Department plans to convert 10,000 positions in fiscal year 2006 and fiscal year 2007. In total, this number falls far short of the 320,000 touted by the Department in 2003. Given that certain positions should not be converted due to rotation and career progression needs, what is the total number of military-to-civilian conversions that the Department plans to make and what jobs or functions should not be converted to civilian personnel?

Secretary CHU. The Department's military-to-civilian conversions are a key part of the Department's efforts to ensure that the Total Force is fiscally responsible and that military personnel are only used to perform "military essential" activities. Additionally, these conversions help to preclude the need for a permanent increase in military end strength. In fiscal year 2004 and fiscal year 2005, over 20,600 military billets were converted to DOD civilian or private sector performance. By fiscal year 2007, we expect the number of conversions to exceed 31,000. In addition, the DOD components have developed goals that, together with the number of conversions already completed and programmed, could raise the number of conversions to over 61,000. As the Department implements its plans for Active/Reserve rebalancing and BRAC, the number of military conversions could change significantly. Also, as the NSPS is implemented, it will provide the Department with greater flexibility in managing the civilian workforce that will aid in the conversion of additional billets.

In previous testimony, we estimated that there were approximately 320,000 positions that could be studied for possible conversion. This estimate included military billets in functions that were identified as commercial in nature. Our analysis is verifying which of these billets must remain military due to laws, treaties, executive orders, and international agreements and which are required for readiness or workforce management reasons. This includes military positions needed for military career progression, rotation, wartime assignments, risk mitigation, and other similar requirements. In addition, certain inherently governmental responsibilities that require military-unique knowledge and skills cannot be converted to either DOD civilian or private sector performance. Decisions to convert military billets depend on the merits of each situation with the 300,000+ positions under review. As a result, the "total number" of conversions will change from year to year as Defense priorities, threat levels, and technologies change how the Department structures its workforce to fight and win wars.

FOREIGN LANGUAGE

30. Senator AKAKA. Secretary Chu, I am pleased to see that the DOD has taken great efforts to strengthen foreign language education, particularly with the pilot K–16 Chinese program with the University of Oregon. I understand that this program is being used as the national model for the study of critical languages and is the basis of the similar proposal in the National Security Language Initiative (NSLI). What are the lessons learned from this pilot program?

Secretary CHU. The grant by the National Security Education Program (NSEP) to the University of Oregon and Portland Public Schools was awarded in August 2005 as part of the National Flagship Language Initiative. This grant represented a first effort to build a national model for an articulated K–16 program using Chinese for the pilot. It is too early in the program implementation process to systematically assemble "lessons learned." Full implementation of programs in the Portland elementary, middle, and high schools will begin in the fall of 2006 and the University of Oregon will admit its first pilot group of high school graduates from Portland high schools this September. It is clear, however, from our efforts to date, that a number of criteria are critical to the success of this and future K–16 programs in the NSLI. These include: (1) a clear plan for structuring a continuing and fully articulated approach to language education from K–12 and beyond; (2) ability to convey and communicate an approach that can be replicated in other K–16 environments throughout the United States and for languages other than Chinese; (3) demonstrated understanding of ongoing national efforts to develop and implement national standards for foreign language learning; (4) performance benchmarks at critical points in students' progression through levels of instruction; (5) availability of expertise in language pedagogy; and (6) clear demonstration and evidence of active participation of school(s) and school district(s) in the effort.

31. Senator AKAKA. Secretary Chu, you testified about the Department's work with other Federal agencies to develop the NSLI, which is designed to expand the number of Americans mastering critical languages at a younger age, increase the number of advance-level speakers of foreign languages, and increase the number of foreign language teachers and their resources. According to the White Paper produced by the participants at the Department's National Language Conference in 2004, the engagement of stakeholder groups and Federal, State, and local governments in solving the Nation's language deficiency is essential. Does the NSLI reflect input from stakeholders and State and local government leaders and if not, what outreach is planned to gain their support and suggestions?

Secretary CHU. The NSLI does indeed reflect extensive input from stakeholders and State and local government leaders. The White Paper which emerged from the DOD-sponsored National Language Conference recognized that collaboration with stakeholders was a necessary ingredient of any effort to address the language crisis in American education. NSLI focuses exclusively on the investment in the United States educational infrastructure. It responds to the concerns expressed by the foreign language education community that more emphasis needs to be placed on the development of programs at earlier levels of the education process and answers the call for more teacher education and certification. The K–16 pipeline concept embodied in NSLI is an outgrowth of extensive dialogue and conversation with key language associations including the American Council of Teachers of Foreign Languages. We fully expect the implementation of NSLI programs will continue to require an ongoing collaboration with all stakeholders.

32. Senator AKAKA. Secretary Chu, I am interested about costs associated with the Department's efforts to improve foreign language education and proficiency. Please state for the record how much funding the Department will set aside in fiscal year 2007 and during the next 3 years for NSLI, programs proposed in the Defense Language Transformation Roadmap, and current language training programs.

Secretary CHU. The Department of Defense is dedicating $19.2 million per year in fiscal years 2007–2011 toward the DOD programs that contribute to the NSLI.

The QDR emphasizes the need for growing the foreign language and regional expertise capability within DOD and targets funding for several initiatives that support the Defense Language Transformation Roadmap, including ramping up language and cultural expertise instruction at the Service academies and at universities with Reserve Officer Training Corps programs; expanding the Army's 09L program that recruits Arabic heritage speakers into the Individual Ready Reserves; the NSLI, etc. We are dedicating $429.7 million during fiscal years 2007–2011 toward these efforts.

In order to increase the proficiency of our linguists to the level demanded by new communication technologies (3–3), we are reducing class size and revising instruction at the Defense Language Institute as well as expanding overseas training. In fiscal years 2007–2010, $330 million will be used for these purposes.

NATIONAL SECURITY PERSONNEL SYSTEM

33. Senator AKAKA. Secretary Chu, under the current scheduled rollout of NSPS, some employees in Hawaii will be included in Spiral 1. Because DOD is considering an employee's occupation in addition to geographic location in determining whether an employee receives locality pay, what impact will this have on employees who do not receive locality pay but rather non-foreign COLA (5 U.S.C. 5941), which is based on the employee's geographic location, which is not waived by NSPS?

Secretary CHU. NSPS implementation will have no effect on COLAs for non-foreign areas that are authorized under 5 U.S.C. 5941. As you noted, the Department has no authority to waive section 5941. With respect to NSPS provisions, local market supplements are additional payments to employees in specified local market areas, occupations, specializations, and/or pay bands. They may be established in response to labor market conditions that are not already fully addressed by the worldwide pay band rate ranges. As the Department makes decisions on authorizing local market supplements, the applicability (presence) of non-foreign COLAs will be a factor in determining the amount and coverage of those local market supplements.

34. Senator AKAKA. Secretary Chu, will pay bands remain stagnant due to the mandatory non-foreign COLA increase and if no information is available yet, when do you expect we will receive details on this issue?

Secretary CHU. The NSPS pay bands, and their applicable rate ranges, apply in all areas, both within and outside the continental United States. In determining adjustments to these rate ranges, the Secretary may consider mission requirements, labor market conditions, availability of funds, pay adjustments received by employees of other Federal agencies, and other relevant factors. The non-foreign COLAs will not affect decisions on the NSPS worldwide rate ranges. However, the presence of non-foreign COLAs will be considered in establishing any applicable local market supplements.

35. Senator AKAKA. Secretary Chu, after U.S. District Judge Rosemary Collyer ruled in August 2005 that the Department of Homeland Security's (DHS) new personnel system did not ensure collective bargaining and did not provide for a fair appeals system, DOD informed me that it had reviewed the DHS decision and made some changes to the proposed NSPS regulations to avoid the issues raised in Judge Collyer's decision. On Monday, February 27, Judge Emmet Sullivan ruled that the final regulations on the NSPS are inconsistent with its enabling statute in that it does not ensure collective bargaining, the National Security Labor Relations Board is not independent, and the new appeals process is not fair. Given the similarities in these court decisions, can you specify what changes DOD and OPM made to the NSPS to avoid the problems found in DHS's personnel system?

Secretary CHU. We were certainly aware of, and informed by, Judge Collyer's decision. However, the statutory authority for NSPS is different than the statutory authority provided to DHS. Ultimately, changes that were made to the final regulations were a result of the many public comments received, as well as input from the unions during the meet and confer process.

36. Senator AKAKA. Secretary Chu, as a former educator, I firmly believe that agencies should adequately fund their training programs. How much is DOD's overall training budget for fiscal year 2007 and what portion is being used for NSPS training and how does this amount compare to the training budget for fiscal year 2006, both for NSPS training and established training programs employees rely on to do their jobs?

Secretary CHU. Generally, the Department budgets for training as part of the operations and maintenance requirement. Training required by law and mission essential training, including NSPS training, will continue to be the Department's top training priorities.

The DOD has budgeted approximately $522 million for civilian education and training in the fiscal year 2007 budget and expects to spend approximately $5.4 million on NSPS content-specific training in fiscal year 2007. The Department budgeted approximately $509 million for civilian education and training for fiscal year 2006

and expects to spend approximately $5.4 million on NSPS content-specific training in fiscal year 2006.

QUESTIONS SUBMITTED BY SENATOR HILLARY RODHAM CLINTON

DEFENSE INTEGRATED MILITARY HUMAN RESOURCES SYSTEM

37. Senator CLINTON. Secretary Chu, the military continues to deal with pay issues relating to wounded soldiers. In fact, I have recently re-engaged the Secretary of the Army regarding my continuing concerns with wounded soldier pay problems. A possible longer-term solution is an integrated personnel and pay system that brings all components of all Services under one system, the Defense Integrated Military Human Resources System (DIMHRS). Please provide an update on the current status of DIMHRS within the DOD, and specifically address the following issues:

(A) What is the current time line and fielding plan for DIMHRS?

Secretary CHU. A preliminary timeline was approved by the Acting Deputy Secretary of Defense (Mr. England) during the Defense Business Systems Management Committee meeting held on March 23, 2006. The timeline showed an Initial Operating Capability to the Army in April 2008 with implementation in the Air Force to follow shortly after in August 2008. The Defense Business Systems Acquisition Executive is in the process of developing a full schedule. The Navy and United States Marine Corps are currently conducting their assessments and have not yet produced a projected deployment timeline.

(B) What is the total amount that has been invested in developing DIMHRS to date?

Secretary CHU. Investment costs and operations costs incurred by the DIMHRS (Pers/Pay) Program Manager (Oracle/PeopleSoft COTS software, Northrop-Grumman developer/implementer contracts and Program Management costs) for fiscal years 1998–2005 were approximately $373 million. Some of this cost was incurred in fiscal year 2005 to support the Service assessments of the software. These costs do not include the costs of functional analyses of personnel and pay processes, business process reengineering, and the documentation of standards and requirements, since these activities were needed regardless of the technical solution.

(C) What additional resources and/or congressional action will be required to complete development and fielding of DIMHRS?

Secretary CHU. The Defense Business Systems Acquisition Executive (DBSAE) is currently working on finalizing the resource requirements for the remainder of the program. The DBSAE is also working with the Comptroller to develop a plan for funding the program. Congressional support and guidance is critical to the success of the DIMHRS (Pers/Pay) program.

As we streamline business processes, we may wish to request changes to the language of legislation to support smooth implementation. Congressional support for requests for changes that will ultimately streamline and standardize our processes is paramount to the success of this effort.

(D) How will DIMHRS address the following issues related to wounded soldier pay problems:

(1) What safeguards will the system have to prevent the military from mistakenly over-paying wounded soldiers and then trying to claim debts and also asking for other payments that are not well-founded?

Secretary CHU. DIMHRS (Pers/Pay) is an integrated personnel and pay system. Entry of personnel information based upon pay affecting events will result in timely and accurate computation of pay for all military members. Overpayments result when a member's change in status and geographical location is not reported to the compensation system in a timely manner. Overpayments will be avoided with timely and accurate entry of information relative to the member's status and automated business rules that will govern eligibility for those pays driven by status and geographical location. Business processes are already in place.

(2) How will it enhance oversight of the debt forgiveness process?

Secretary CHU. DIMHRS (Pers/Pay) will provide access to basic personnel and pay information in a manner that will allow quick and accurate identification of members in an overpayment or debt status. Similarly, this access will enable the Department to quickly identify members who fall into specific categories that would make them eligible for forgiveness (for instance, wounded in action). This will allow for quicker identification of the debt condition and ultimate resolution as well as provide for a more consistent and timely adjudication of a debt forgiveness request.

(3) How will it streamline providing assistance to servicemembers making a request for debt forgiveness?

Secretary CHU. Complete information about a member's pay and an audit trail for pay affecting event transactions will be immediately available. This tool will provide needed information for responsible finance officers to make appropriate determinations for cause, effect, and amount of member indebtedness. This information is not flagged or readily available today and thus results in cumbersome processes to adjudicate requests. DIMHRS (Pers/Pay) will first substantially reduce the number of overpayment cases and then facilitate the resolution of any overpayments that do occur. It will reduce the dollar amounts of the overpayment given timely entry of pay affecting information into DIMHRS (Pers/Pay).

(4) What benchmarks will be established to measure progress in correcting future pay problems?

Secretary CHU. Metrics are already in use to measure the percentage of military members accurately paid correctly within 15 and 30 days of a pay affecting event. We will continue to use these measurements to monitor improvement. Additionally, an automated Case Management Tool (first developed by the Air Force) is being used to collect, maintain, track, administer, and provide historical reference to each pay problem reported. The Department sets standards for the timeliness of resolution of pay problems and uses the tool to measure success in meeting the standards. This tool will continue to be used as long as pay problems exist.

[Whereupon, at 10:17 a.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2007

TUESDAY, MARCH 14, 2006

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

HEALTH BENEFITS AND PROGRAMS

The subcommittee met, pursuant to notice, at 2:34 p.m. in SR–325, the Caucus Room, Russell Senate Office Building, Senator Lindsey Graham (chairman of the subcommittee) presiding.

Committee members present: Senators Graham, Dole, 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 members present: Jonathan D. Clark, minority counsel; Gabriella Eisen, research assistant; and Gerald J. Leeling, minority counsel.

Staff assistants present: Benjamin L. Rubin, Jill L. Simodejka, and Pendred K. Wilson.

Committee members' assistants present: Meredith Beck and Matthew R. Rimkunas, assistants to Senator Graham; Greg Riels, assistant to Senator Dole; and Eric Pierce, assistant to Senator Ben Nelson.

OPENING STATEMENT OF SENATOR LINDSEY O. GRAHAM, CHAIRMAN

Senator GRAHAM [presiding]. Good afternoon. Senator Dole, Senator Nelson, and I appreciate your coming. We have a dilemma on our hands, ladies and gentlemen. We're going to start taking budget votes at about 3:15 and we're going to have nine votes so what we have to do is have a double-header here. The Department of Defense (DOD) part of this hearing has been rained out. We will reschedule the DOD witnesses on Panel II so they may still come up here to make their presentation to the subcommittee. Today, we'll hear from the groups representing our military retired community. We appreciate everyone coming.

This is one of the most important hearings we'll have this year about recruiting, retention, and the sustainability of health care. I'm very eager to hear from everybody and I appreciate those who attended an informal discussion on this topic a couple of weeks ago. I learned a lot from it and I thought it was tremendously beneficial.

Our panel today consists of Ms. Schmidli, Chairman and Chief Executive Officer of the National Military Family Association (NMFA); Lieutenant General McCarthy, Executive Director of the Reserve Officers Association (ROA); Vice Admiral Ryan, President of the Military Officers Association of America (MOAA); and Edgar Zerr, National President of the Fleet Reserve Association (FRA). We will hear from all of you shortly.

I have a quick opening statement. The tale of the numbers. Under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), before TRICARE came along, I've been told that the average cost share for a military retiree was about 27 percent. TRICARE came along and it's about 12 percent. The average increase in retirement benefits over the last decade has been about 32 percent in terms of increase in retirement pay. The DOD proposal is a 115-percent increase in fees and services over a 2-year period. Ten years ago the DOD medical expenditure was about 4 percent of its budget, and today it's about 8 percent. As you project data in the future it's going to be about 12 percent.

How do we reconcile all of these numbers? How do we find a balance between 32 percent retired pay increase and a 115-percent fee increase? How do we get ahead of the dynamic that the military health care budget is growing exponentially and you're having to pick between operational needs and military retired needs? I think the way you do it is to talk to each other, understand a common definition of the problem the best you can, and phase in solutions that are fair, that increase health care benefits, and at the same time will make the program sustainable. It will only work if we work together. You have my pledge and my promise to try to find some fair and equitable way to deal with this on my watch, because I am not going to pass this on to the next generation of senators and military retirees.

Senator Nelson.

[The prepared statement of Senator Graham follows:]

PREPARED STATEMENT BY SENATOR LINDSEY O. GRAHAM

Good afternoon. The committee meets today to consider the National Defense Authorization Request for health benefits and programs for fiscal year 2007, and in particular, the proposal of the Department of Defense to begin the process of reform, through increasing TRICARE fees for retirees.

Today's panel is comprised of advocates for military families and retirees, and includes:

Tanna Schmidli, Chairman of the Board and Chief Executive Officer of the National Military Family Association;

Lieutenant General Dennis M. McCarthy (USMC Ret.), Executive Director of the Reserve Officers Association;

Vice Admiral Norbert R. Ryan (USN Ret.), President of the Military Officers Association of America; and

Edgar Zerr, National President of the Fleet Reserve Association.

We welcome all of you.

I begin with an acknowledgment that military service in an All-Volunteer Force comes with a commitment for the highest quality health care. Providing that benefit is essential, and this subcommittee will ensure that the benefit is sustained.

To do so, however, in an era of rapidly growing health care costs, requires our best thinking. I am committed to enacting carefully crafted reforms which protect its quality, improve people's health, and maximize the efficiency of the health care delivery mechanisms within our control.

These are the questions that we will examine today. I hope that this hearing will shed light on a way forward that is fair, and most importantly will reflect our commitment to men and women in uniform and their families, as well as retired members and their families for a sustainable quality health benefit.

Senator Nelson, thank you once again for your service as we examine the programs which support our military personnel and their families. We have made significant advances in many areas, including health care for the Reserves, military pay and quality-of-life. Our subcommittee's tradition of bipartisanship is alive and well, and has produced important programs and support for the quality-of-life of our men and women in uniform and their families.

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Thank you, Mr. Chairman, and thank you to the panel for being here today. Obviously this is a very important issue for the military retirees who correctly view this program as an earned benefit. All throughout their military careers they've been told that a significant portion of their compensation for service was a generous health care benefit throughout their entire retirement. They based their career plans, as well as their retirement plans, on the promise of an affordable health care benefit based on the structure in existence for the last decade.

However, that doesn't mean that reasonable adjustments cannot, and at times, should not be accommodated. While we can't dismiss the legitimate concerns, we do have an obligation to make sure that we can sustain this excellent health care program for those who have already retired, for those who are serving now, and for those yet to serve. It's very clear this will require a careful balancing of interests, making all those percentages that my colleague just recited balance out and work for everybody who is concerned. I have a lengthier opening statement, Mr. Chairman, but I'd like to have that submitted for the record.

Senator GRAHAM. Without objection.

Senator BEN NELSON. Thank you.

[The prepared statement of Senator Nelson follows:]

PREPARED STATEMENT BY SENATOR E. BENJAMIN NELSON

Thank you, Senator Graham, for holding this hearing on military health care. One of the most significant issues the Personnel Subcommittee will address this year is the Department of Defense's (DOD) proposal to increase health care premiums and annual deductibles for retirees who are not yet eligible for Medicare and TRICARE for Life.

This is a very emotional issue for many military retirees who correctly view this as an earned benefit. All throughout their military careers, they have been told that a significant portion of their compensation for service was a generous health care benefit throughout their retirement. They based their career plans, as well as their retirement plans, on the promise of an affordable health care benefit based on the fee structure in existence for the last decade. However, that does not mean that reasonable adjustments cannot be accommodated. While we cannot dismiss their legitimate concerns, we have an obligation to make sure that we can sustain this excellent health care benefit for those who have already retired, for those who are serving now, and for those yet to serve. This will require a careful balancing of interests.

My experience as a Governor and as a Senator has taught me that if you are going to adjust a benefit, it cannot be a surprise and it must be done in moderation. I am concerned that the Department's proposal is too much too fast. The Depart-

ment has had authority to adjust the premiums for TRICARE since its inception in 1995 and has elected not to increase them until now. It seems to me that trying to make up for those 11 years in 2 years is too extreme. Increasing the enrollment fee for TRICARE Prime in just 2 years from $460 a year to $650 a year for family coverage for junior enlisted members, from $460 to $950 for senior noncommissioned officers, and from $460 to $1,400 for officers seems a bit much for families that have based their retirement plans on the retired pay and health care costs as they existed when they retired. Maybe we need to moderate the increase and spread it out over a longer period to give these families time to make reasonable adjustments to their budgets.

We also have to take into account the effect these proposed changes will have on recruiting. The Service Personnel Chiefs have been telling us for some time that one of the main challenges to successful recruiting is the lack of support for military service by influencers. These influencers include parents, teachers, guidance counselors, and coaches. Those who have served in the military, especially retirees, are very significant influencers. If military retirees believe that the Government has reneged on a promised, earned benefit, can we count of them to promote military service by the young people in their sphere of influence?

I think we also need to understand the impact these proposed increases will have on those who are serving today. Will these proposed increases, if enacted, have an effect on the family decision to remain in the military? Will they start to question what other benefits might be changed that would have an impact on their retirement plans? I plan to ask the military leaders whether they have attempted to ascertain how this proposal is viewed by currently serving military personnel and their families.

Mr. Chairman, we do need to help the DOD control the continuing increases in health care costs. However, that includes more than just looking at raising the premiums for retirees. For starters, it is not clear to me that the Department's proposed increases will provide the savings the Department is counting on. Their own figures show that the increased fees will amount to $199 million while the Department's health care budget reflects savings of $578 million. The Department has reduced its budget request by $405 million on the theory that large numbers of retirees will leave the TRICARE program because of the increased fees, and by another $15 million, assuming that the increase in annual deductibles will result in decreased utilization of health care services. I'm not entirely sure why the administration has drawn this conclusion—DOD acknowledges that "the TRICARE benefit will remain the best health benefit offered in this country," and even at the increased rates, will still be less costly than almost any other commercial or employer sponsored health care plan.

Mr. Chairman, however this works out, we need to make sure that the Defense health program is fully funded. To do this, we will need to add funding or find other efficiencies. One area that warrants greater exploration is greater cooperation and resource sharing between the DOD and the Department of Veterans' Affairs (VA). While I am committed to separate health care systems for the VA and DOD, we need to continue to look for opportunities for the two systems to work together to provide better health care for the beneficiaries of each system in the most economical way. We also need to look for efficiencies in the delivery of health care within the DOD. Is the Department doing all that it can to provide disease management for high-cost chronic illnesses? Has the Department done enough to encourage use of the cost-effective mail order pharmacy? Are the Services making the most effective use of medical treatment facilities when this would result in cost savings? These are just a few of the areas that should be explored in our joint effort to control rising health care costs.

The witnesses on today's panel are all familiar with the military's health care benefit, and I understand they have some very interesting ideas for controlling increases in the cost of military health care. Hearing their testimony today will give us the benefit of their ideas so that we can discuss them with our second panel when we reschedule their portion of this hearing.

Mr. Chairman, I am anxious to hear what our witnesses have to tell us this afternoon. Thank you.

Senator GRAHAM. Thank you for being such a good partner, Senator Nelson. I could not have asked for a better person to work with and I appreciate it.

Senator Dole.

Senator DOLE. Thank you, Mr. Chairman. I want to say to you, Ms. Schmidli, that I've had an opportunity to become familiar with

Operation Purple and I want to congratulate you on the tremendous work helping kids of parents who've been deployed through some very difficult times, times of tension and stress. I think it's a marvelous program and in North Carolina the National Guard has a very similar program called Kids on Guard. Again, it's wonderful for those who are being deployed in terms of increasing their readiness because they have peace of mind knowing that their families are being taken care of and certainly for the families back home it also provides a support network. What I'd like to suggest, if I may, is that you get in touch with Lil Ingram, who is the wife of our Adjutant General of North Carolina. I think there might be synergies which could be produced as a result of this liaison, which could be beneficial too, and could strengthen each program.

I welcome all of you today. I just wanted to make those comments in case I don't have a chance later if the votes begin. Thank you.

Ms. SCHMIDLI. Thank you so much for comments.

Senator DOLE. Thank you, Mr. Chairman.

Ms. SCHMIDLI. I have actually met Mrs. Ingram and I look forward to meeting her again.

Senator DOLE. Great, wonderful, thank you.

Ms. SCHMIDLI. Thank you for your compliment.

Senator GRAHAM. Ms. Schmidli, would you like to lead off please?

STATEMENT OF TANNA SCHMIDLI, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, NATIONAL MILITARY FAMILY ASSOCIATION

Ms. SCHMIDLI. It would be my honor, sir. Mr. Chairman, Senator Nelson, Senator Dole, thank you on behalf of the National Military Family Association for the opportunity to testify.

NMFA thanks you for your concern for servicemembers and their families, particularly we thank you for the provisions you sponsored in the National Defense Authorization Act (NDAA) for Fiscal Year 2006. While our written statement submitted for the record highlights many critical issues facing families, I will speak today about DOD's health care proposals and NMFA's response.

The proposal by DOD to raise TRICARE fees by exorbitant amounts has resonated throughout the beneficiary population. As expected, this reaction is across the board from all beneficiaries. Families see the proposal as a concentrated effort by DOD to change their earned entitlement of health care into an insurance plan. NMFA is alarmed that DOD has already instructed TRICARE contractors to develop plans to implement its proposed changes in TRICARE prime enrollment fees without allowing for sufficient congressional oversight.

NMFA believes DOD's premise of anticipated savings based on an estimate of military retirees leaving the military health system for other options is flawed. We believe the Department is reaping the rewards of its own success and that families are opting to retain their Prime benefit in retirement because of their satisfaction and familiarity with the program. Retirees who currently opt to use TRICARE Standard as a wrap-around of their employer-sponsored plan may buy into Prime when offered, rather than pay for both their civilian insurance and Standard. NMFA strongly suggests

that DOD look within itself for cost savings before suggesting beneficiaries bear the burden. We have outlined some possible efficiencies in our written statement.

NMFA most emphatically opposes an enrollment fee for TRICARE Standard because it would move the earned medical entitlement into an insurance program. TRICARE Standard is the successor to CHAMPUS, which was implemented as an extension of the health care entitlement when the Direct Care System could not care for all eligible beneficiaries. We understand unless retirees pay this premium, they will be locked out of any care at a military treatment facility (MTF). We believe enrollment fees for Prime are different because additional benefits are given to Prime beneficiaries: access guarantees, low out-of-pocket costs, additional preventative care, and management of the beneficiary's health care. Please see the changes on page eight of our statement to view the differences between these two options.

DOD's proposal to increase Prime enrollment fees, while completely out of line dollar wise, is not unexpected. However, NMFA is concerned that DOD's proposed tiering of the fees increases may be too arbitrary and would impose inappropriate charges to some of our most vulnerable beneficiaries, especially wounded servicemembers who are medically retired and survivors.

Acknowledging that the annual Prime enrollment fee has not increased in more than 10 years, and that it may be reasonable to have a mechanism to increase fees, NMFA would like to present an alternative to DOD's proposal should Congress deem some sort of cost increase necessary. NMFA suggests that over the next 2 years DOD could raise the base annual Prime enrollment fee by a percentage amount of the cumulative retiree cost-of-living adjustment (COLA) since 1995. If DOD thought the original fees were fair for all in 1995, it would appear that raising the fees simply by the percentage increase in retiree COLA is also fair.

NMFA also suggests that future increases in Prime enrollment fees be the same percent as the annual retiree COLA. We also suggest adjusting the TRICARE Standard deductibles by the amount of the cumulative COLA since 1995 and set future increases in the same percent as the annual retiree COLA.

In conclusion, NMFA would like to state its concern for the long-term mental health and well-being of servicemembers and their families who have faced repeated deployments in arduous conditions. We ask you to ensure our country's commitment to them continues as long as the need exists. Thank you for your support of military families.

[The prepared statement of Ms. Schmidli follows:]

PREPARED STATEMENT BY TANNA SCHMIDLI

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 today on the state of military health care, as well as other quality-of-life issues affecting servicemembers and their families. Once again, we thank you for your focus on many of the elements of the quality-of-life package for servicemembers and their families: access to a quality health care benefit, military pay and benefits, and support for families dealing with deployment.

NMFA endorses the recommendations contained in the statement submitted by The Military Coalition (TMC), with the exception of those related to increases in TRICARE Prime enrollment fees and TRICARE Standard deductibles. In this state-

ment, NMFA will provide its alternative both to the health care recommendation contained in the Coalition's statement and to the proposals made by the Department of Defense (DOD) in its fiscal year 2007 budget request. We will also briefly address other quality-of-life issues for military families in the following subject areas:

I. Military Health Care

- DOD's Proposal to Increase TRICARE Fees
- DOD Must Implement More Cost-Saving Measures
- TRICARE Standard: Not Just Another Insurance Plan!
- TRICARE Prime and TRICARE Standard
- Prime Access Standards and Quality-of-Care
- Obstetrical and Pediatric Rates
- Deployment Health for Servicemembers and Families
- Wounded Servicemembers Have Wounded Families
- Health Care for Survivors
- National Guard and Reserve Health Care
- Pharmacy
- Health Care for Special Needs Family Members/Enhanced Care Health Option (ECHO)
- Retiree Dental Insurance
- Health Care Implications of Transformation, Global Rebasing, and Base Realignment and Closure (BRAC)

II. Family Readiness

- Caring for Military Children and Youth
- Spouse Employment

III. Families and Deployment

IV. Families and Transition

- Transformation, Global Rebasing, and BRAC
- Survivors

V. Compensation and Benefits

- Funding for Commissaries, Exchanges, and Other Programs
- Permanent Change of Station Improvements
- Adjusting Housing Standards

VI. Families and Community

Servicemember readiness is imperative for mission readiness. Family readiness is imperative for servicemember readiness. Family readiness requires the availability of coordinated, consistent family support provided by well-trained professionals and volunteers; adequate child care; easily available preventative mental health counseling as well as therapeutic mental health care; employment assistance for spouses; and youth programs that assist parents in addressing the concerns of their children during stressful times. However, no issue is more important to family readiness than the military family's ability to access quality health care in a timely manner and at a cost that is commensurate with the sacrifices made by both servicemembers and families.

MILITARY HEALTH CARE

NMFA thanks this subcommittee for its steadfast authorization of a robust military health care system. This system must continue to meet the needs of servicemembers and the DOD in times of armed conflict. It must also acknowledge that military members and their families are indeed a unique population with unique duties, who earn an entitlement to a unique health care program.

DOD's Proposal to Increase TRICARE Fees

The proposal by DOD to raise TRICARE fees by exorbitant amounts has resonated throughout the beneficiary population. Seldom has the reaction of servicemembers and families been as strong and strident. Interestingly, this reaction is across the board from all beneficiaries, even though the proposal would only marginally affect current Active-Duty families or retirees over age 64. Beneficiaries see the proposal as a concentrated effort by DOD to change their earned entitlement to health care into an insurance plan. How detrimental this could be to retention is unknown. But the volume of the voices suggests that if the proposals are enacted as presented there will be an effect. In addition, since statistics show the children of veterans are more likely to volunteer for the uniformed services than the children of non-veterans, and that the more positive "influencers" of service in the military are military retirees and other military family members, one must also wonder at the effect such proposals could have on recruitment.

NMFA is alarmed DOD has already instructed the TRICARE Managed Care Support Contractors to begin drawing up plans to implement its proposed changes in TRICARE Prime enrollment fees on October 1, 2006. We believe this action is inappropriate given that Congress has not yet had the necessary time to study the proposals and the budget assumptions behind them. We appreciate the many questions Members of Congress are asking about these proposals. We urge Congress to direct DOD—possibly by inserting a provision in the Emergency Supplemental Appropriations Act now being debated—to cease efforts to implement its proposals until Members have had the opportunity to study them more closely.

As part of your review of these proposals, NMFA requests you ask DOD officials which retirees they believe will leave TRICARE and bring about their predicted cost savings. DOD asserts retirees under age 65 are leaving the health insurance offered by their civilian employer and returning to TRICARE. Since the Department has produced no concrete numbers to validate this assertion, it is difficult to comment on, but NMFA does not dispute that some are doing so. However, we also believe the Department is reaping the rewards of its own success. We suggest TRICARE Prime has improved so significantly that many new retirees are opting to stay in Prime since it has worked well for them on Active-Duty. Anecdotally, NMFA has noticed a profound difference in retiree behavior regarding health care choices over the past decade. The younger retirees, when in an area where Prime is offered, appear overwhelmingly to continue their Prime enrollment into retirement. Older retirees appear more likely either to use Standard as a wrap-around to their employer-provided health insurance or choose to buy a TRICARE supplemental plan and use Standard as their primary benefit. We would be very interested in seeing numbers to learn whether the steady increase in retirees under age 65 enrolled in Prime is due more to the retention of Prime in retirement among recent retirees or if it is indeed the so-called "ghosts" returning.

If most of the increased numbers of retirees using TRICARE are those who are retaining their Prime enrollment in retirement, then NMFA questions if many (or any) will migrate to employer-provided health insurance. NMFA believes most families entering retirement will choose to stay with a known system that has worked for them rather than switch to an unknown one. If it is the "ghosts" returning, then NMFA asserts that the current proposal would exacerbate the situation. Retirees who currently use TRICARE Standard as a wrap-around to their civilian employer's health insurance may well opt to buy into TRICARE Prime (where offered) rather than pay for both their civilian health insurance and a TRICARE Standard premium (enrollment fee). NMFA is also concerned that many retirees in this age group may not have access to employer-provided health care as they are self-employed or work for a small business that does not offer health care. These individuals would be penalized for their choice of employment in retirement simply to try to influence the decisions of others.

Active-Duty families fear for the future of their health care entitlement. Retirees, once they can think beyond their outrage, are frankly perplexed. When TRICARE Prime was first introduced, many retirees could only participate in the option if they enrolled at a military treatment facility (MTF). Later, many were told there was no longer room for them at the MTF and they were forced to use Prime in the civilian sector. Retirees who used CHAMPUS or TRICARE Standard seldom could access space available care in MTFs and were forced to buy supplemental policies to guard against high out-of-pocket expenses. Yet, when an inpatient hospitalization loomed and continuity of care with their civilian provider was upper most in their minds, they could be forced back into the MTF via non availability statements. Note this enforced return to the MTF was not for full care, but only for the treatment or surgery required for that particular inpatient episode. Now, retirees see the system does not want them at all! These are the same retirees to whom President Bush referred in a speech before the American Legion Convention on February 24, 2006, when he said: "Our men and women on the front lines are taking inspiration from the valor and courage that you've shown in the field of battle."

Finally, the Department is stating two reasons for its proposed exorbitant increases in beneficiary cost shares. One is these cost shares must be put in place to "sustain the benefit." The other is that the Department cannot afford to buy weapons systems and pay for the earned health care entitlement. This mixed message cannot help but send morale in a downward spiral. Are military retirees buying the next submarine or aircraft or are they supposed to sacrifice their entitlement to preserve the benefit for the future?

NMFA does not believe DOD's estimate of the migration of retirees out of TRICARE is realistic and urges Congress to obtain more information on the economic assumptions used by DOD to formulate its budget proposal. We also urge Congress to ensure adequate authority for DOD health care

funding is included in the fiscal year 2007 Budget Resolution and National Defense Authorization Act (NDAA) for Fiscal Year 2007. Because DOD has already directed the TRICARE contractors to begin plans to implement its proposed increases, NMFA requests that Congress insert a provision in the Emergency Supplemental Appropriations bill now being debated to forestall the implementation of any increases until Congress has had more time to study their impact on beneficiaries and to evaluate DOD's cost assumptions.

DOD Must Implement More Cost-Saving Measures

In section 733 of the NDAA for Fiscal Year 2006, Congress requested a report on the delivery of health care benefits through the military health system (MHS). This report, due to you no later than February 1, 2007, asks key questions that should be answered before DOD attempts to change beneficiary cost shares drastically. Many of the topics required in the report deal with ways DOD could improve efficiencies in delivering the benefit. NMFA believes DOD has many options available to make the MHS more efficient and thus make the need for large increases in beneficiary cost shares unnecessary.

For example, had the Department implemented a marketing plan for the TRICARE Mail Order Pharmacy (TMOP) several years ago, the migration to TMOP might have reduced health care costs significantly. Similarly, if the TRICARE Uniform Formulary had been implemented when first authorized by Congress in the fall of 2000 rather than just starting in March 2005, additional savings could have been realized. NMFA is aware DOD is attempting to get Federal pricing for medications in the TRICARE Retail Pharmacy (TRRx); however, in the meantime, it may have passed up several opportunities to receive significant discounts from pharmaceutical companies.

In recent years at the annual TRICARE conferences and other venues, DOD officials have discussed the benefits of disease management, especially for certain chronic illnesses. These benefits flow to the beneficiaries through better management of their conditions and to DOD through patients' decreased need for costly emergency room visits or hospitalizations. Most MTFs and all of the TRICARE Managed Care Support Contractors have at least one disease management program, offered to beneficiaries in both TRICARE Prime and Standard. However, not all programs are offered everywhere, nor is there an effort to apply disease management programs across the entire system, to include pharmacy. DOD officials say disease management programs can benefit patients and the Department's bottom line and that successful disease management must include medical and pharmacy components. NMFA was disappointed, therefore, to find no mention of disease management or a requirement for coordination between the pharmacy contractor and Managed Care Support Contractors in the recently-released request for proposals for the new TRICARE pharmacy contract. NMFA was pleased to see Congress recognized the importance of improved disease management programs and included the study of the "means of improving integrated systems of disease management, including chronic illness management" in section 733 of the NDAA for Fiscal Year 2006.

Similarly, section 739 of the NDAA for Fiscal Year 2006 directed DOD to conduct a study evaluating the feasibility and cost effectiveness of a Medicare Advantage Regional PPO demonstration for TRICARE for Life (TFL) beneficiaries. This demonstration, focused on the TFL population with its high utilization of resources, could provide another opportunity to determine potential benefits from case management and disease management programs for beneficiaries with complex and/or chronic conditions. NMFA expects this program would be voluntary and would preserve all the benefits currently available to TFL beneficiaries under TRICARE and Medicare. NMFA has not yet heard from DOD regarding its plans to implement this demonstration.

Despite the successes of the TRICARE Next Generation (T–Nex) managed care support contracts implemented last year, NMFA remains concerned that efforts to optimize the MTFs have not met expectations in terms of increasing or even maintaining access for TRICARE beneficiaries. NMFA believes optimizing the capabilities of the facilities of the direct care system through timely replacement construction, funding allocations, and innovative staffing would allow more beneficiaries to be cared for in the MTFs, which DOD asserts is the least costly venue. Innovative staffing approaches should look at the mix of staff available through a variety of sources: military, civilian, contract, and resource sharing. As with disease management, staffing initiatives must involve a systemic approach to make the best use of resources available through both the MTFs and the Managed Care Support Contractors.

NMFA also believes the Managed Care Support Contractors have additional beneficial suggestions that could reduce health care costs through more efficient claims

processing, the elimination of redundancies, and the reduction of the number of DOD-unique requirements in the contracts. Because the costs of recompeting and implementing large contracts can be extremely high, NMFA suggests that DOD delay the next round of TRICARE contract competitions for at least a year. Last year's implementation of the T–Nex contracts went more smoothly than many predicted, but beneficiaries and providers still experienced a certain amount of turmoil. Both would benefit from a longer period of stability and anticipated improvements in customer service as the contractors become more familiar with their regions and their implementation tasks. It is probable DOD could better serve its beneficiaries and enhance savings and efficiency if it would take the time to test new concepts for the next contracts through demonstration projects evaluated in the current program rather than implementing them untested in the new contracts. The Department should also ensure the three major issues still outstanding in the implementation of the current contracts—electronic claims, clean and legible records, and referrals and authorizations—have been solved before launching into another contract round.

NMFA strongly suggests that DOD look within itself for cost savings before first suggesting that beneficiaries bear the burden! We encourage DOD to investigate further cost saving measures such as: a systemic approach to disease management, a concentrated marketing campaign to increase use of the TRICARE Mail Order Pharmacy, eliminating contract redundancies, delaying the recompetition of the TRICARE contracts, speeding implementation of the Uniform Formulary process, and optimizing military treatment facilities.

TRICARE Standard: Not Just Another Insurance Plan!

NMFA thanks Congress for its sustained concern regarding providing information and support to TRICARE Standard beneficiaries. We are hopeful the newer emphasis on this population by DOD and the Managed Care Support Contractors will translate into actual increased support for these beneficiaries. However, we retain the right to come back to Congress if such support does not materialize!

The precursor to TRICARE Standard, the basic benefit provided for care in the civilian sector, was CHAMPUS. CHAMPUS was enacted when the direct military health care system could no longer provide care for all eligible beneficiaries. The relatively high deductibles for the time, 25 percent cost share for doctor visits and extremely high inpatient costs (currently $535/day in non network hospitals), were included to discourage the indiscriminate use of CHAMPUS when care was available in the direct care system. However, CHAMPUS was then, as TRICARE Standard is now, an extension of the earned entitlement to health care. Charging a premium (enrollment fee) for TRICARE Standard moves the benefit from an earned entitlement to an opportunity to buy into an insurance plan. Active-Duty families appear to see this proposal from two points of view. First, the security of knowing their earned entitlement to health care would follow them into retirement has just flown out the window; and second, that the constant reference to other health insurance plans and the proposal to tie future increases to the Federal Employees Health Benefit Program (FEHBP) will eventually affect their own cost of health care. NMFA must also note that because TRICARE Prime is not offered everywhere, Standard is the only option for many retirees and their families and survivors who need to access their military health care benefit.

NMFA opposes DOD's proposal to institute a TRICARE Standard enrollment fee and believes Congress should reject this proposal because it changes beneficiaries' entitlement to health care under TRICARE Standard to just another insurance plan. However, we would be remiss if we did not ask the many questions beneficiaries have about how a Standard enrollment fee would be implemented and its implications regarding access to care:

1. Will retirees who do not enroll in Prime and do not pay a premium (enrollment fee) for Standard be refused space available care in MTFs, including their emergency rooms?
2. Will these same retirees be refused pharmaceutical services at MTFs or be unable to use TRICARE retail network pharmacies and the TRICARE mail order pharmacy?
3. Will retirees who only use Standard as a wrap-around to their employer-provided health care insurance pay the same premium (enrollment fee) as those who will use Standard as their primary benefit?
4. What type of open enrollment season will be needed to provide retirees with the opportunity to coordinate coverage between TRICARE and their employer-sponsored insurance?

5. How will DOD inform all eligible beneficiaries of this significant change in their benefit and of the opportunity to enroll?

6. What additional resources will DOD require the TRICARE Managed Care Support Contractors to put in place to handle the enrollment of beneficiaries?

7. How much will it cost to implement the enrollment fee, including the education efforts, additional tasks imposed on the TRICARE contractors, and the inevitable cost of handling appeals from beneficiaries whose claims were denied because they did not know they had lost their benefit?

8. Has DOD incorporated realistic cost estimates for the implementation of a Standard premium into its budget proposal and savings projections?

We also ask what additional services beneficiaries who enroll in Standard will receive after paying the enrollment fee. Or, will they only be paying for the "privilege" of having to seek their own providers, often filing their own claims, meeting a deductible, paying a 20-percent cost share for their care (plus an additional 15 percent if the provider does not participate in the claim), and being liable for a daily hospitalization charge of up to $535? And, because they recognize the cost liabilities of being in Standard, we know most will continue to bear the cost of a TRICARE supplemental insurance policy.

NMFA strongly asserts DOD's proposal to change the earned entitlement to health care into an opportunity to buy into an insurance plan breaks both faith and the implied contract with currently serving members and those who have retired. We urge Congress to reject any plan to establish a TRICARE Standard enrollment fee.

TRICARE Prime and TRICARE Standard

In the current debate about whether or not to raise beneficiary fees for TRICARE, NMFA believes it is important to understand the difference between TRICARE Prime and TRICARE Standard and to distinguish between creating a TRICARE Standard enrollment fee and raising the Standard deductible amount. As we have stated above, TRICARE Standard is the successor name for CHAMPUS, and as such is a civilian extension of the basic entitlement to health care originally provided only in MTFs. At the start of TRICARE in 1995, when TRICARE Standard became the name for CHAMPUS, DOD also introduced an HMO-type benefit called TRICARE Prime. Since Prime offered enhancements to the health care benefit (lower out-of-pocket costs, access to care within prescribed standards, additional preventive care, assistance in finding providers, and the management of one's health care), enrollment fees for Prime were charged for retirees. These fees, which have not changed since the start of TRICARE, are $230 per year for an individual and $460 per year for a family. Below is a general comparison of TRICARE Standard and Prime for retired beneficiaries under the age of 65 when they access care in the civilian sector. Retirees enrolled in Prime with an MTF provider also pay the annual enrollment fee, but do not have a co-payment for outpatient care and only a modest fee for inpatient care received in the MTF.

	Prime	Standard
Enrollment fees	$230/year for an individual; $460/year for a family.	None
Annual Deductibles	None	$150/individual; $300 for a family
Outpatient co-payment (Prime)/cost share (Standard) for individual providers.	$12	25 percent of allowed charges [1,2]
Inpatient co-payment/cost share for individual providers	None	25 percent of allowed charges [1,2]
Daily inpatient hospitalization charge	Greater of $11 per day or $25 per admission.	Lesser of $535/day or 25 percent of billed charges if treated in non-network hospital [3]
Emergency Services co-payment/cost share	$30	25 percent of allowed charges
Ambulance Services co-payment/cost share	$20	25 percent of allowed charges

	Prime	Standard
Preventive Examinations (such as: blood pressure tests, breast exams, mammograms, pelvic exams, PAP smears, school physicals) co-payments/cost shares.	None	25 percent cost share [1,2]

[1] Providers may charge 15 percent above the TRICARE allowable and the beneficiary is responsible for this additional cost, making the potential cost share 40 percent.
[2] If care is accessed from a TRICARE Prime/Extra network provider the cost share is 20 percent.
[3] If care is received in a TRICARE Prime/Extra network hospital the daily hospitalization rate is the lesser of $250/day or 25 percent of negotiated charges.

DOD's proposal to increase TRICARE Prime enrollment fees, while completely out-of-line dollar wise, is not unexpected. In fact, NMFA was surprised DOD did not include an increase as it implemented the new round of TRICARE contracts last year. NMFA views enrollment fees for Prime as justified because enrollees enjoy the additional benefits of access guarantees, lower out-of —pocket costs, more preventive care, and management of their health care. In other words, enrollment fees for Prime are not to access the earned entitlement, but for additional services.

NMFA does have concerns about the amount of DOD's proposed increases for TRICARE Prime and the plan to impose a tiered system of enrollment fees and TRICARE Standard deductibles. We believe the tiered system is arbitrarily devised and fails to acknowledge the needs of the most vulnerable beneficiaries: survivors and wounded servicemembers. For example, under the DOD plan an individual retired officer or family member would pay an enrollment fee of $700 for TRICARE Prime by fiscal year 2008. The surviving spouse of a 2nd Lieutenant who died in Iraq last year will revert to retiree status in terms of health care in 2008. Under the DOD plan, she would pay the $700 enrollment fee, the same as paid by a retired General Officer. A marine with just a few years' service who is medically retired after sustaining a serious injury would pay the same premium for his/her family as would a retired E–6 who served 20 years.

Acknowledging that the annual Prime enrollment fee has not increased in more than 10 years and that it may be reasonable to have a mechanism to increase fees, NMFA would like to present an alternative to DOD's proposal should Congress deem some cost increase necessary. NMFA suggests DOD apply the cumulative retiree cost-of-living adjustment (COLA) to the base annual Prime enrollment fee of $230 for an individual and $460 for a family. Using the 31.4 percent cumulative COLA for the years from 1995 through 2006, the annual fee would rise to approximately $302 for a single servicemember and $604 for a family. If DOD thought $230/$460 was a fair fee for all in 1995, then it would appear that raising the fees simply by the percentage increase in retiree pay since then is also fair. NMFA also suggests that, to avoid another "sticker shock," fees be raised annually by the same percent as the retiree COLA. NMFA further believes adjusting the current fees over a 2-year period would decrease the effect of "sticker shock" and allow families to adjust their budgets. We are aware the current system does require retirees/survivors with smaller incomes to pay a higher percentage of their pension/annuity for Prime than those with higher incomes; however, we believe the benefits of simply updating the current fees are greater for almost all concerned than devising another option, especially an arbitrarily-designed tier system. NMFA also suggests it would be reasonable to adjust the TRICARE Standard deductibles in the same manner: cumulative COLA for the years since 1995 and then tie future increases to the percent of the retiree annual COLA.

> NMFA believes its alternative proposal to increase Prime enrollment fees and Standard deductibles using the cumulative retiree COLA over the past 10 years and to tie future increases to the same percent as the retiree COLA is a fair way to increase beneficiary cost shares should Congress deem an increase necessary.

Prime Access Standards and Quality-of-Care

NMFA remains concerned that prescribed access standards are not being met for enrolled TRICARE Prime beneficiaries at MTFs. No one is more cognizant of the need for superior health care to be provided to servicemembers in harm's way than their families. In addition, no one is more willing to change providers or venues of care to accommodate the need for military health care providers to deploy than the families of those deployed. However, a contract was made with those who enrolled in Prime. Beneficiaries must seek care in the manner prescribed in the Prime agreement, but in return they are given what are supposed to be guaranteed access standards. When an MTF cannot meet those standards, appointments within the civilian TRICARE network must be offered. In many cases this is not happening and families are told to call back next week or next month. MTFs must be held as ac-

countable as the Managed Care Support Contractors for meeting stated access standards. In addition, requests for referrals for specialty care must not be held up beyond access standards simply to meet some arbitrary "right of first refusal" standard. MTFs must be as responsive to civilian providers regarding care provided to beneficiaries in the direct care system as the contracts require civilian network providers to be to the MTF for beneficiaries referred within the civilian network. Beneficiaries should not be caught in a bureaucratic "catch 22" when care is needed from both venues.

Because operational requirements have reduced the number of uniformed health care personnel available to serve in the MTF system, a more coordinated approach is needed to optimize care and enable MTFs to meet access standards. Efficient contracting for health care staffing could increase the amount of care provided in the direct care system, thereby reducing the overall cost of care to the military health care system. NMFA suggests Congress direct DOD to reassess the resource sharing program used prior to the implementation of the T–Nex contracts and take the steps necessary to ensure MTFs meet access standards with high quality health care providers.

NMFA also emphasizes that quality care must be available to beneficiaries both in the direct care and purchased care systems. Routinely contracting for the lowest cost providers is a high risk strategy that does not serve the long-term interests of the military health care system. The inherent risks are heightened by the absence of clear, consistent standards for firms providing health care staffing. NMFA understands the Joint Commission on Accreditation of Health Care Organizations (JCAHO) has implemented a certification program for private sector health care staffing firms operating in the civilian sector to ensure they meet established standards. We encourage Congress to direct DOD to adopt these JCAHO standards as well for health care staffing firms that support military hospitals and clinics. The military beneficiaries receiving care in MTFs deserve at least the same protections as those who receive care in private sector hospitals.

Obstetrical and Pediatric Reimbursement Rates

NMFA thanks Congress for requiring the Comptroller General to investigate reimbursement levels for obstetrical and pediatric care. We continue to receive concerns from families that finding providers in these two specialties is extremely difficult in many areas. We look with anticipation to the report and request appropriate legislation if DOD does not propose adequate remedies for the situation.

Deployment Health for Servicemembers and Families

As servicemembers and families experience numerous lengthy and dangerous deployments, NMFA believes the need for confidential, preventative mental health services will continue to rise. The Services must balance the demand for mental health personnel in theater and at home to help servicemembers and families deal with unique emotional challenges and stresses related to the nature and duration of continued deployments. The good news for family support professionals who believe military families are reluctant to seek help for mental health issues is that many now recognize counseling is an option for them. Families perceive counseling and mental health support as especially helpful if it is confidential and with a professional familiar with the military. One spouse who completed NMFA's recent Cycles of Deployment Survey stated:

> *Three deployments have caused great mental strain on me as the spouse of a servicemember. Thank goodness for mental health services, which I have used for more than a year now and will continue to use. I have to work daily on managing depression and anxiety, which I feel are a direct result of the deployments.*

The Services recognize the importance of educating servicemembers and family members about how to achieve a successful homecoming and reunion and have taken steps to improve the return and reunion process. 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. Successful return and reunion programs will require attention over the long term. Many mental health experts state that some post-deployment problems may not surface for several months or years after the servicemember's return. NMFA is especially concerned that not as many services are 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 Department of Veterans' Affairs (VA), what happens when the military health benefits run out and deployment-related stresses still affect the family?

Military OneSource (www.militaryonesource.com) helps returning servicemembers and families access local community resources and receive up to six free face-to-face mental health visits with a professional outside the chain of command. NMFA is pleased DOD has committed to funding the counseling provided under the OneSource contract. This counseling is not medical mental health counseling, but rather assistance for family members in dealing with the stresses of deployment or reunion. It can be an important preventative to forestall more serious problems down the road.

NMFA notes, however, that Military OneSource is only available for members of the four Services under the authority of the DOD. The parent Departments of the Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration operate their own Employee Assistance Programs and provide some of the same information through them as Military OneSource. However, these EAPs may not be equipped with the resources and experience to provide the same type of deployment-related information and assistance as offered by Military OneSource. We ask members of this subcommittee to urge the appropriate committees with jurisdiction over the three uniformed services not part of DOD to work with DOD and ensure deployed members of all uniformed services and their families have access to the same level of deployment-related assistance—including the face-to-face counseling services—provided under Military OneSource.

> NMFA remains concerned about access to mental health care, both preventative and therapeutic, for the long haul. Unfortunately the costs of war may linger for servicemembers and their families for many years. It is imperative that whether or not the member remains on Active-Duty and entitled to military health care there are provisions for both servicemembers and their families to access appropriate mental health services paid for by their government.

Wounded Servicemembers Have Wounded Families

Post-deployment transitions could be especially problematic for injured servicemembers and their families. NMFA asserts that behind every wounded servicemember is a wounded family. We have been pleased the military medical centers are involving VA personnel to ease wounded servicemembers' transition to civilian life and care in the VA. The transition between the DOD and the VA health system can be confusing for servicemembers and their families. In the case of the 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. Wounded servicemembers who are medically retired need more information on the full benefit package available to them from both DOD and the VA. They especially need more education about their eligibility for both DOD and VA health care and when it is most appropriate to use each system.

To ease wounded servicemembers' and their families' health care transition and reduce their out-of-pocket costs in the years immediately following their injury, we urge Congress to allow wounded/injured servicemembers who are medically retired and their families to be treated as Active-Duty family members in terms of TRICARE costs and access to care at military hospitals for 3 years following the servicemembers' retirement. This change would mirror the 3-year transitional status provided to surviving spouses of Active-Duty deaths.

Family Assistance Centers 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 is hearing the Services are now sending more wounded servicemembers back to their home installations sooner to receive care at their home installation MTF—which could be a community hospital rather than a medical center. Therefore, NMFA believes Family Assistance Centers are urgently needed in every MTF that treats injured servicemembers. In addition to the recreation, travel, and emergency support these centers provide, they also assist the family in dealing with the servicemember's transition back home.

NMFA applauds recent provisions in the NDAA for Fiscal Year 2006 that require standards for assisting wounded and injured servicemembers. NMFA strongly encourages the Services to cooperate and expedite the standardization of programs. NMFA has heard from families of wounded servicemembers that they are not offered the "same services." An injured soldier, airman, sailor, or marine should be offered access to the same services as the soldier, airman, sailor, or marine recuperating in the bed next to them in a military hospital. We continue to ask that the role of the DOD and the VA be clearly explained and delineated and joint efforts

between all the Services and the VA, in support of the servicemember and family, continue to be the priority.

> To support wounded and injured servicemembers and their families, NMFA recommends that Congress extend the 3-year survivor health care benefit to servicemembers who are medically retired and their families and direct DOD to establish a Family Assistance Center at every MTF caring for wounded servicemembers.

Health Care for Survivors

NMFA thanks Congress for including section 715 in the NDAA for Fiscal Year 2006, which allows surviving children of Active-Duty deaths to be treated as Active-Duty family members for purposes of enrolling in TRICARE Prime until they age out of TRICARE. We and the surviving families who contact us are waiting—slightly impatiently—for word from DOD on how this important benefit change will be implemented. To date, we have not received this information.

This year, we ask for consideration of several other proposals to ease the health care transition for survivors of Active-Duty deaths. First, we ask Congress to update the survivor benefit to enable survivors of Active-Duty deaths to enroll in TRICARE Prime Remote during the time they are treated as Active-Duty family members for health care—3 years for the spouse. Some survivors may immediately relocate to the area where their parents live for the security and support they need. Others may remain for their 1 year entitlement in government quarters and then relocate to family or for the necessity of employment. In these cases, the area to which the survivors have relocated may not be one in which TRICARE Prime is offered. It seems reasonable these survivors should be able to qualify for the Prime Remote option during the period when they are treated as Active-Duty family members in terms of TRICARE to minimize their out of pocket costs during this traumatic transition time.

National Guard and Reserve families may choose to keep their employer sponsored health and dental care when their servicemember is activated and deployed. The family's eligibility for this care may cease if the servicemember is killed on Active-Duty. Legislative changes are needed to enable these family members to take advantage of their survivor benefit for coverage under the TDP, the dental insurance for Active-Duty families. As the law is currently written, with limited exceptions, only those families enrolled in the TDP at the time of the servicemember's death are eligible to continue enrollment and receive premium-free dental insurance for 3 years. NMFA recommends, in cases where the family has employer sponsored dental insurance, survivors be treated as if they had been enrolled in the TDP at the time of the servicemember's death.

Survivors of those who die on Active-Duty or in retirement justly lose their entitlement to DOD benefits to include access to commissaries, exchanges, morale, welfare, and recreation (MWR) benefits, and health care when they remarry. Survivors eligible for the Veterans' Administration CHAMPVA program are eligible for health care reinstatement if their second marriage ends, but NOT those previously eligible for DOD-provided health care, even though their entitlement for all other benefits is reinstated. NMFA requests this inequity be removed and these survivors have their health care entitlement restored.

> In cases where the family of a deceased servicemember has been enrolled in an employer-sponsored dental plan, NMFA recommends survivors be treated as if they had been enrolled in the TRICARE Dental Program at the time of the servicemember's death. We also recommend that Congress update the TRICARE benefit provided in the 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.

National Guard and Reserve Health Care

NMFA also asks for an update to the TRICARE Prime Remote eligibility rules for some National Guard and Reserve families. While Guard and Reserve families in remote locations may be eligible for Prime Remote while their servicemember is on Active-Duty, they lose their eligibility once the servicemember is demobilized and is eligible for the 180-day Transitional Assistance Management Program (TAMP) benefit. We believe, for the sake of continuity of care as well as the family's financial stability during the Guard or Reserve member's transition back to civilian live, the servicemember and family should retain eligibility for Prime Remote during the TAMP period.

NMFA thanks Congress for extending the ability to buy into TRICARE to members of the Selected Reserve, but is concerned the "one shoe fits all" solution does

not translate into continuity-of-care for all their families when the member is mobilized. Certainly those with no access to health care insurance will benefit from the ability to buy into TRICARE and thus ensure their families have continuity of care when they are mobilized. However, a large segment of this population has employer-provided health insurance and for their families continuity of care would best be achieved by a DOD subsidy of this insurance when they are mobilized. Having to change health care plans and possibly providers when the member is going in harm's way are not conducive to family readiness!

We also ask you to monitor the process by which DOD determines rates for TRICARE Reserve Select. We were just as surprised as the Reserve Select beneficiaries when DOD chose to increase premiums for this program so soon after its implementation. NMFA was also concerned at the percentage increase in the premium, which was tied to the premium increase for the standard option Blue Cross/Blue Shield plan offered under the FEHBP.

> To promote continuity of care for families of mobilized Guard and Reserve members, NMFA asks that Congress authorize DOD to subsidize the cost of family coverage under the member's employer-sponsored health insurance while the servicemember is mobilized. NMFA also asks Congress to monitor the premium-setting process used by DOD for TRICARE Reserve Select.

Pharmacy

NMFA applauds DOD's proposal to encourage migration to the TRICARE Mail Order Pharmacy by removing cost shares for generic medications. NMFA and other associations have long encouraged DOD to launch a concentrated marketing effort to promote use of the TMOP, as it provides significant savings to beneficiaries as well as huge savings to the Department. The proposed beneficiary cost share increases in the pharmacy retail network program are not as exorbitant as the proposals for increases in Prime enrollment fees, the premium to access TRICARE Standard, or the increase in Standard deductibles, but do represent a 67-percent increase for all beneficiaries. If some additional cost share for TRRx is instituted, NMFA believes it should not be implemented until all of the medications available through TRRx are also available through TMOP and DOD joins the associations in actively and strongly promoting use of the TMOP.

NMFA is most grateful to Congress for establishing the Beneficiary Advisory Panel to review and comment on the recommendations of the Pharmacy and Therapeutics Committee for the Uniform Formulary. It appears as though the process has been beneficial to both groups and a good working relationship has been established. However, NMFA has several concerns. First, even when the majority of the panel recommends against a Pharmacy and Therapeutics Committee recommendation, there is no feedback on why its comments were rejected by the final decision maker, the Director of the TRICARE Management Agency. While NMFA would certainly not suggest the Director "report" to the Panel, in the spirit of collegiality, a direct communication to the Panel on why their recommendations were rejected would enhance the working relationship. Second, NMFA and our fellow associations were initially assured few drugs would move to the nonformulary or third co-payment tier. Yet in the first year of the process, 41 drugs out of 131 considered have been moved to the third tier. Third, the law clearly states congressional intent that beneficiaries were to have access to nonformulary drugs; they just had to pay more for them. However, an internal DOD policy currently appears to require MTF providers to write prescriptions only for drugs that are available on that MTF's formulary, unless medical necessity has been determined. Hence, beneficiaries treated at an MTF are precluded from accessing nonformulary drugs at either the TRRx or the TMOP, even if they are willing to pay the higher cost share. Finally, it is well understood, and NMFA has no great argument with the premise, that the process of establishing a Uniform Formulary was to provide clinically appropriate drugs at a cost savings to the Department. We believe information must be gathered to determine if the Uniform Formulary process is meeting the desired goals.

> NMFA requests the Government Accountability Office (GAO) be asked to conduct a review to see if the Uniform Formulary process is producing the savings projected and the extent, if any, beneficiaries believe they have been denied medications they and their provider believe would be more clinically appropriate for them.

Health Care for Special Needs Family Members/ECHO

On September 1, 2005, the TRICARE Management Activity (TMA) at last implemented the Enhanced Care Health Option, which was authorized in the NDAA for Fiscal Year 2002 as the replacement for the Program for Persons with Disabilities

(PFPWD). ECHO is intended to provide additional benefits to Active-Duty family members with a qualifying mental or physical disability, generally defined as: moderate or severe mental retardation; a serious physical disability; or an extraordinary physical or psychological condition of such complexity that the beneficiary is homebound. The program recognizes the additional challenges faced by Active-Duty families because of the servicemember's deployment or frequent relocations that often make accessing services in the civilian community difficult.

ECHO offers services and supplies beyond the basic TRICARE benefit covered in Prime and Standard, up to a maximum of $2,500 per eligible family member per month, a $1,500 increase over the PFPWD. Additionally, some beneficiaries may qualify for ECHO Home Health Care, which provides medically-necessary skilled services to eligible homebound beneficiaries. Families registered in ECHO pay a rank-based monthly cost share. They must be enrolled in their Service Exceptional Family Member Program in order to receive ECHO services.

Active-Duty families with a special needs family member had eagerly awaited the often-delayed implementation of ECHO. While the numbers of eligible beneficiaries for ECHO is much smaller than for the PFPWD because certain services covered by the PFPWD have now been moved to the basic TRICARE benefit, there have been numerous problems with the transition to the new program. These problems generally fall into three areas: information about ECHO eligibility and how to access services, obtaining covered respite care, and changes in TRICARE coverage for Applied Behavioral Analysis (ABA) therapy.

In the early months of ECHO implementation beneficiaries generally reported confusion about eligibility for ECHO services, what services are covered, and how to obtain the needed authorization for these services. Because of the relatively-small numbers of eligible beneficiaries, the TRICARE contractors generally chose to manage the information flow through its case managers rather than through its TRICARE Service Centers or customer service lines. Beneficiaries who grew frustrated with a lack of answers to their questions had to learn from each other to ask for a case manager or someone familiar with ECHO when seeking assistance.

Respite care is a new benefit under ECHO that was not available under the PFPWD and was probably the most anticipated of all ECHO benefits. There are two types of respite care benefits: the ECHO respite care benefit of 16 hours per month when receiving other ECHO services and the ECHO Home Health Care "sleep benefit" of 8 hours per day for 5 days each week. Because of some confusion about what other services are covered under ECHO or a difficulty in accessing these services, many beneficiaries found they were not eligible for the ECHO respite care benefit. Families had looked forward to this service because it would give the parents the opportunity to spend time together or with their other children without worrying about the care of the special needs child. Beneficiaries have also told NMFA they and their TRICARE contractors have been confused about the type of provider qualified to provide the respite care services. Often, local home health agencies are geared toward providing care for the elderly and not for children. In some locations, there are not enough agencies available to meet the demand for these services.

Beneficiaries who cannot obtain respite care services note a benefit isn't a benefit if you can't access it. Complaints of a hollow benefit have been heard most often in connection with the provision of ABA services for children with autism. ABA is a type of educational therapy that has been effective for some children with types of autism. In recent years, DOD paid for ABA therapy under the PFPWD and promised it would continue as a benefit under ECHO. Unfortunately, many military children who received ABA therapy under the PFPWD lost these services when they were transitioned to ECHO. With the implementation of ECHO, DOD chose to change its standards for authorizing and paying ABA providers. At issue is who provides the hands-on, in-home therapy that is the key to effective ABA therapy. Currently, the industry standard for treatment in ABA therapy is that certified ABA therapists develop the treatment plan and train and supervise tutors who provide the hands-on therapy, often several times each week. Formerly, DOD paid for therapy following this standard. With the implementation of ECHO, DOD announced it would only pay for ABA therapy when it was done by the board-certified therapist and not by a tutor operating under the therapist's supervision.

DOD has argued this change is necessary to ensure therapy is provided by qualified providers. Unfortunately, there are not enough board-certified therapists in the field to meet the demand for this therapy and as a result military families are reporting their children are losing ground in their ability to learn and function because their services have been scaled back or curtailed. Of course NMFA believes DOD should have high quality standards for all providers; however, we are concerned the Department is ignoring industry standard and is opting to eliminate a benefit promised under ECHO rather than devise a more reasonable way to ensure

quality. We find it ironic that DOD officials talk about the need for highly trained providers but yet have suggested parent training in ABA therapy as a viable alternative to paying for trained tutors working under the supervision of certified providers. NMFA does not disagree that parents should be knowledgeable about the therapy in order to reinforce the work done by the tutor during the home visits. However, parents should not be the DOD-authorized replacements for trained therapists!

NMFA requests this subcommittee direct DOD to meet military families' needs for promised services under ECHO and to revise policies that would deny special needs family members access to these services.

Retiree Dental Insurance

NMFA frequently hears from individuals in the two categories of TRICARE-eligible beneficiaries who were not included in the list of eligibles in the legislation creating the TRICARE Retiree Dental Plan. We recommend Congress add military retirees and their families who live overseas as well as TRICARE-eligible former spouses to the list of eligible beneficiaries for this plan. Since the TRICARE Retiree Dental Plan is not subsidized by DOD, there is no cost to the Department to include these otherwise TRICARE eligible beneficiaries.

NMFA requests TRICARE eligible former spouses and military retirees and their family members who live overseas be allowed to participate in the TRICARE Retiree Dental Plan.

Health Care Implications of Transformation, Global Rebasing, and BRAC

NMFA believes it imperative the full spectrum of health care be available to families at losing or closing installations until the last family has left and also be in place before the first new family arrives at a gaining installation. NMFA is fully aware this cannot be accomplished solely through the direct care system. However, the Managed Care Support Contractors must be required to meet the need when the direct care system cannot and to do so within the Prime access standards. In communities experiencing an increase in Active-Duty population, this may mean they will need to recruit more family practice providers, pediatricians, and OB/GYNs for their networks. Because of housing patterns in affected communities, more network providers may be needed in locations farther from the installations than are currently requred. For example, the North region contractor has already had to recruit additional network providers in the Syracuse, New York, area because families of servicemembers stationed at Fort Drum have been forced to find housing there. The contractors must also be prepared to work together to ease the transition of large numbers of Active-Duty members and their families from installation to installation, in many cases across regional boundaries.

In addition, NMFA is concerned about other beneficiaries, to include those who are medically retired and survivors, who may be left without access to an MTF at closing or downsizing installations. At a minimum, Prime must continue to be an option in BRAC areas and a robust network of providers, to include all relevant specialists, must be in place before an MTF downsizes or closes. In areas where military hospitals are being downsized to outpatient clinics, every effort must be made to ensure continuity of care for beneficiaries needing to move back and forth between the direct care and purchased care segments of the MHS. DOD must ensure the contractors develop adequate hospital networks to replace care now provided in the direct care system.

FAMILY READINESS

NMFA recognizes and appreciates the continued focus all the Services are placing on family readiness. Family readiness affects a servicemember's entire career from recruitment to retention to retirement. DOD must continue to refine and improve family readiness programs not only because it is the right thing to do, but also to retain highly trained and qualified servicemembers.

In NMFA's recent Cycles of Deployment Survey, respondents' comments paint a picture of both successes and failures in the family support/readiness arena. A common theme was the desire for a "purple" family support system. As an Active-Duty Army spouse stated: "We are all in this together—it doesn't matter the branch of service." What matters to the family is that the information and support that they are promised is provided in a consistent manner. Accessing the right information when they need it continues to be a critical issue for Guard and Reserve families who generally have very limited access to military installations. Like the families in our survey, NMFA believes family support agencies must reach out to all families located in their geographical area regardless of Service affiliation.

Evidence of this need for outreach by strong, well-coordinated programs was seen in the confusion and frustration experienced by so many uniformed service families in the wake of Hurricane Katrina and in the responses initiated by their Services. In the wake of the disaster and in response to calls from families and family support providers alike, NMFA worked quickly to compile contact and support information for all agencies and Services in order to be able to provide accurate and timely advice to families. While we were happy to provide a one-stop information portal for families from all the uniformed services and while the individual Services ended up offering a wide variety of information and support resources, we just kept thinking how nice it would have been if military leaders had focused more from the beginning on working together to meet families' needs.

> NMFA applauds the various initiatives designed to meet the needs of servicemembers wherever they live and whenever they need them. DOD must have the flexibility to meet emerging needs, the mandate to reach out to families, and the resources to ensure continuation of the "bedrock" support programs. Whenever possible, these programs should focus on a joint solution and reach out to all family members, including parents of single servicemembers.

Caring for Military Children and Youth

Frequent deployments and long work hours make the need for quality affordable and accessible child care critical. We thank Congress for making additional funding available for child care since the beginning of the global war on terrorism. We were pleased that DOD has requested military construction for eight child development centers for fiscal year 2007. The communities slated to receive these centers desperately need them. Currently, DOD estimates it has a shortage of 31,000 child care spaces within the system, not counting the demand from the mobilized Guard and Reserve community. While efforts are being made to bridge this gap, thanks in part to congressional funding for child care over the past few years, additional innovative strategies are needed. Programs such as Military Child Care in Your Neighborhood and Operation Military Child Care, which assist military families in finding and paying for child care, are welcome pieces of the solution, but are insufficient to completely meet all the need.

Older children and teens cannot be overlooked. Parents tell us repeatedly they want resources to "help them help their children." NMFA is working to meet this need through programs such as our Operation Purple summer camps and a pilot after school program for children of deployed servicemembers. We also applaud the partnership between DOD and Johns Hopkins School of Public Health to assist school personnel in helping military children deal with frequent moves or the deployment of a parent. We urge Congress to increase its funding for schools educating large numbers of military children. This supplement to Impact Aid is vital to these districts, which have shouldered the impressive burden of ensuring military children receive a quality education despite the stresses of military life.

> Schools serving military children, whether DOD or civilian schools, need the resources to meet military parents' expectation that their children receive the highest quality education possible. Because Impact Aid funding from the Department of Education is not fully funded and has remained flat in recent years, 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

In recent years, DOD has sponsored a variety of programs, including a partnership with Monster.com, to promote spouse employment. However, with 700,000 Active-Duty spouses, the task of enhancing military spouse employment is too big for DOD to handle alone. NMFA encourages more private employers to step up to the plate and form partnerships with local installations and DOD. We ask DOD to reach out to potential employers and acquaint them with the merits of hiring the members of this talented and motivated workforce.

Despite greater awareness of the importance of supporting military spouse career aspirations, some roadblocks remain. State laws governing unemployment compensation vary greatly regarding eligibility for military spouses who have moved because of a servicemember's government ordered move. NMFA is appreciative of DOD's efforts to work with States to promote the award of unemployment com-

pensation to military spouses, eligibility for in-State tuition, and reciprocity for professional licenses.

NMFA asks 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 to make college credits and fees more easily transferable and also explore paths towards national standards or reciprocity 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 all available resources to educate themselves about factors to consider regarding employment benefits, to include investments, health care, portability, and retirement.

FAMILIES AND DEPLOYMENT

In July 2004, NMFA published Serving the Home Front: An Analysis of Military Family Support from September 11, 2001 through March 31, 2004. This report noted progress made to the military's support of its families during the first 18 months of the global war on terrorism. Understanding the need for further research and information on the long-term effects of repeated deployments and the reunion and reintegration of both Active and Reserve component families, NMFA developed its Cycles of Deployment survey. This survey was active on the NMFA website between April and November 2005 and received 1,592 responses. The message from military families came through loud and clear: families cannot nor should they have to make it through a deployment alone. They expect family support to be available to all, regardless of their Service component or where the family lives. Respondents acknowledged they had a role to play in their own family readiness; however they looked to their commands, their unit volunteers, and their communities to recognize their sacrifice and help them make it through deployments.

NMFA could not agree more. We are pleased to note the progress made on innovative ways in which families can communicate with command and family readiness/support groups. The Army Virtual Family Readiness Group (VFRG) has just recently gone live and will soon be able to connect up to 800 battalions with family members and significant others, to include spouses, children, fiancés, parents, and extended family members. VFRGs should be a tremendous help in meeting the needs of geographically-dispersed servicemembers, Guard and Reserve members, and individual augmentees and their families who feel left "out of the communication loop" and consistently ask: "who's my group?"

As deployments have continued, the Services have refined programs dealing with the return and reunion process. Families worry about how the reunion will go even as they are worrying about the servicemember's safety in theater. Attention also needs to be placed on how children, at varying stages of their lives, reconnect with a parent who in all likelihood will be deployed again sometime soon.

Families need to be better educated in how to deal with problems that could surface months after the servicemember returns.

Multiple deployments are no longer the exception but rather the norm. Families experiencing a second or third deployment never start from the same place. Along with skills acquired during the first deployment, there are unresolved anxieties and expectations from the last. New families are entering the cycle, whether they are new recruits, servicemembers deploying with new units, or families whose life situations have changed since the last deployment. More families seem willing to seek mental health care and counseling but it is not always readily available. Many of our survey respondents called for counselors to be assigned to unit family readiness groups, as well as on-call professionals who would be available to deal with troubled families or the emergency situations currently being thrust on often inadequately trained volunteers. NMFA applauds the Soldier and Family Life Consultants Program, which is used by the Army to provide additional preventative counseling support to soldiers and their family members, especially following soldiers' return from deployments. The number of Army installations using this program is growing; services have also been provided to the Marine Corps Reserve for returning units. NMFA recommends increased funding for this program and for DOD to provide the option to expand it to all Services.

Higher stress levels caused by open-ended and multiple deployments require a higher level of community support. We ask Congress to ensure the Services have sufficient resources to provide robust quality-of-life and family support programs during the entire deployment cycle: pre-deployment,

deployment, post-deployment, and in that critical period between deployments. Programs must also address the specific needs of family volunteers, who make up the front line of family readiness.

FAMILIES AND TRANSITION

Transitions are part of the military life. For the individual military family, transitions start with the servicemember's entrance in the military and last through changes in duty station until the servicemember's separation or retirement from the service. Another transition comes with the injury or death of the servicemember. National Guard and Reserve families face a transition with each call-up and demobilization of the member. The transition to a restructured military under Service transformation initiatives, Global Rebasing, and BRAC will affect servicemembers, their families, and their communities.

Transformation, Global Rebasing, and BRAC

As the Global Rebasing and the BRAC process are implemented, military families look to Congress to ensure 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, survivor, 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 and changes in Navy home ports, 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 cannot emphasize enough the urgency for DOD and Congress to allocate resources now to support communities involved in movements of large numbers of troops. 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 has already had an impact in some communities. 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. Fort Riley and Fort Carson are already seeing the troops arriving from overseas installations being downsized. The latest news is that the Army will move approximately 7,200 soldiers and 11,000 family members from Germany to stateside installations during fiscal year 2006. Over the next 5 or 6 years, U.S. Army Europe will reduce from 62,000 soldiers to 24,000. Several communities in Europe will also grow, as the remaining troops are consolidated into fewer locations. The DOD must do more now to ensure that communities have the resources to support these increased populations.

Most of the Army installations expecting an increase in population have already privatized their housing or expect to do so soon. Privatization contracts were structured to deal with those installations' housing needs at the time the contracts were signed, and not in anticipation of the arrival of several thousand servicemembers and their families. At most of these installations, waiting lists for housing on the installation are common now. What will happen when the troops arrive from overseas? Where will their families live? The Services generally deem the amount of housing in the area surrounding an installation is adequate if enough exists within a 40-mile radius of the installation. Forcing military families, especially those of junior enlisted servicemembers, to live that far from the installation will increase their financial hardships because of transportation costs, as well as their isolation from the military community.

We ask you to seek information from the Services on housing capacity, not just on the installations anticipating growth, but also in the surrounding communities. We also ask you to encourage DOD to re-negotiate housing privatization contracts or authorize more military construction funding where appropriate to increase the housing stock on affected installations and to look for other innovative ways to meet housing demands caused by these troop movements. We urge you to pay particular attention to the effect of the influx of servicemembers and families on local housing costs to ensure that sufficient funding is provided for Basic Allowance for Housing (BAH) in these communities.

We also urge Congress to remember that, as families are forced to seek housing farther from the installation, they lose some of their connection with other military families and the military community. The installation is the focal point for the mili-

tary family. When families are scattered in towns and subdivisions miles from the installation, they lose not only their link to that focal point but also find it more difficult to access the support services—commissaries, exchanges, health care, youth programs, chapel programs, family readiness activities—offered on the installation. The challenge to the installations experiencing growth will be to reach out to isolated families and let them know they remain a part of the community. Leaders will also have to answer the question of what MWR programs and family support services must be available for families regardless of their location and which can be offered only to families who can or choose to access them on an installation on a regular basis. Will additional subsidies be available for child care slots at civilian facilities? Should family center personnel operate satellite facilities or do outreach to areas farther from an installation? How valuable is a commissary or exchange benefit if a young family must drive 45 miles to reach it? How can DOD help these families located far from an installation access their benefits?

We are pleased Congress has directed DOD to report on the impact of troop and family movements on schools. We thank Congress for providing funds to assist schools in meeting the additional costs that come with the arrival of large numbers of military students. We believe this DOD funding—$7 million appropriated for this year vice $10 million authorized—will be needed in larger amounts for several years until districts are able to secure resources from other Federal, State, or local resources. Because many incoming families may be forced to find housing farther away from the installation than families now live, they may find themselves in school districts that have little experience with military children. Nevertheless, they will expect these schools to have the resources needed to educate their children properly. Schools must have at least 20 percent military student enrollment to qualify for additional funds for schools experiencing an increase in student population due to transformation, rebasing, or BRAC, according to section 572 of the NDAA for Fiscal Year 2006. That means schools with the least experience with military children, who potentially could see significant increases in their military population, will not qualify for assistance from DOD. What message does this send to these communities and to the military families who must move there about DOD's concern about the quality of education there?

> 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. Regarding the DOD funding for schools experiencing an increase in the number military children, NMFA recommends eligibility be based on increases in population alone and not on the percentage of military children already in the district. DOD must provide support for all districts facing a large influx of military children, those facing rising enrollments of military students for the first time as well as those currently educating a high percentage. We want these districts to welcome military children and not blame them for cutbacks in services because the schools could not receive DOD funds to assist them in supporting these children.

Survivors

NMFA believes the 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. We are most grateful to members of this committee for your advocacy in providing the increased death gratuity of $100,000 to survivors of all Active-Duty deaths as part of the NDAA for Fiscal Year 2006. NMFA would also like to thank Senator Carl Levin, Ranking Member of the full Committee, for requesting budget authority for $45 million to provide the same enhanced death gratuity to the survivors of certain servicemembers who died between May 12, 2005 and August 31, 2005. A gap between the language of the fiscal year 2005 Emergency Supplemental and that of the NDAA for Fiscal Year 2006 inadvertently denied the enhanced death gratuity to these survivors. NMFA hopes this situation can be fixed as soon as possible.

NMFA also appreciates the work done this year by DOD and the Services to improve the education of casualty assistance officers and to make sure survivors are receiving accurate information in a timely manner. A new DOD publication will soon be available for each surviving spouse and/or parent outlining the benefits available to them. It is an on-line document and can be easily updated as changes occur. It will be supplemented by Service-specific information. NMFA also looks forward to the results of the GAO study on the casualty notification and assistance process.

DOD and the VA have formed a committee to examine procedures and review complaints that they hear about the present casualty notification and assistance

process and have included stakeholders like the Gold Star Wives, the Transition Assistance Program for Survivors (TAPS), the military relief societies, and NMFA. These initiatives provide a response to the recent language included in the NDAA for Fiscal Year 2006, which requires DOD to develop and implement a comprehensive casualty assistance program that offers training of casualty assistance officers, centralized case management, personalized benefits information for survivors, financial counseling, and liaison with VA and Social Security. While we still hear from some widows that they received wrong or incomplete information from their casualty assistance officer, these problems are quickly resolved when surfaced to the higher headquarters. We are concerned, however, about the widows or parents who still do not know who to call when there is a problem.

An area that NMFA feels could still be addressed is the need for specific training in bereavement and other counseling for family readiness group leaders, ombudsmen, and key volunteers. Many widows say they suddenly felt shut out by their old unit or community after the death of their servicemember. Often the perceived rejection is caused by a lack of knowledge on the part of other families about how to meet the needs of the survivors in their midst. Because they find contact with survivors difficult, they shy away from it. In some communities, support groups outside the unit family support chain have been established to sustain the support of the surviving families in the days and months after the death of the servicemember. Fort Hood, Texas, for example, has a special command-sponsored support group for the widows in the surrounding area. We have been especially pleased to note the development of the "Care Team" concept at a growing number of installations. Care Teams are family volunteers who receive special training to assist survivors immediately after the casualty notification. Key in making the Care Teams effective is the extensive training received by the volunteers and the de-briefing of these volunteers by chaplains or other trained counselors that occurs after their contact with the surviving family members.

NMFA believes the benefit change that will provide the most significant long term advantage to the surviving family's financial security would be to end the Dependency Indemnity Compensation (DIC) offset to the Survivor Benefit Plan (SBP). 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 monthly payment of $1,033 for the surviving spouse and $257 for each surviving child. The SPB 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.

Surviving Active-Duty spouses can make several choices, dependent upon their circumstances and the ages of their children. Because SBP is offset by the DIC payment, the spouse may choose to waive this 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, this leaves the spouse who has chosen this option with an annual income of $12,396. In each case, this is a significant drop in income from what the family had been earning while on Active-Duty. The percentage of loss is even greater for survivors whose servicemembers had served longer. Those who give their lives for their country deserve more fair compensation for their surviving spouses. We urge Congress to intensify efforts to eliminate this unfair "widow's tax" this year.

> As part of the standardization and improvement of the casualty assistance process, more effort needs to be placed on supporting the long-term emotional needs of survivors and of communities affected by loss. NMFA recommends that the DIC offset to SPB be eliminated. Doing so would recognize the length of commitment and service of the career servicemember and spouse and relieve the spouse of making hasty financial decisions at a time when he or she is emotionally vulnerable. To ensure the VA continues to meet survivors' long-term needs, NMFA recommends the establishment of a Survivor Office within the VA to provide long-term information and support for surviving spouses and children and offer individualized information about each surviving family's benefit package.

COMPENSATION AND BENEFITS

NMFA appreciates the military pay raises set above the Economic Cost Index for the past several years. They serve as both an acknowledgement of service and recognition of the need for financial incentives as a retention tool. As DOD prepares its Quadrennial Review of Military Compensation, NMFA hopes Congress, in evaluating its recommendations, considers their effects on the whole pay and compensa-

tion package. Changes in individual elements of that package can have unintended consequences on other elements or on the package as a whole. And, while pay raises are important, equally important is the need to maintain the non-pay benefit package that makes up such a vital part of military compensation.

Funding for Commissaries, MWR, and other Programs

Commissaries, exchanges, recreational facilities and other MWR programs are an integral part of military life and enhance the overall quality-of-life for servicemembers and their families. Respondents to NMFA's recent survey on military benefits spoke emphatically about the value of commissaries, exchanges, and MWR programs. Almost three-quarters of the respondents stated the commissary benefit was important to their family; more than half voiced a similar opinion about military exchanges. The majority of respondents used at least one MWR activity monthly. Families also value their installation family centers. Delegates at the recent Army Family Action Plan Conference, for example, rated Army Community Services as their most valued service.

NMFA urges Congress to strengthen and protect these benefits during the upheavals and troop movements over the next few years. We are concerned about the timeline for the closure of commissaries and exchanges overseas and the ability of stores at installations experiencing growth to handle the increased demand. We understand the Army and Air Force Exchange Service earns approximately 50 percent of its profits at overseas stores, many of which will close or downsize as troops and families move back to continental United States installations. When these stores are gone, what will be the future of the MWR programs funded by these profits? Are the Army and Air Force examining their program needs, developing a plan, and identifying alternate funding sources to maintain vital programs despite a projected increase in exchange revenues?

Permanent Change of Station Improvements

NMFA is grateful for recent increases in PCS weight allowances for senior enlisted members included in the NDAA for Fiscal Year 2006. Weight allowances for these ranks were dramatically out of sync with the expected accumulation of goods over the course of a career and with the responsibility shouldered by these servicemembers. These increases, while still below the levels NMFA believes are appropriate, will ease the financial burden for many servicemembers and their families when the government orders them to move. NMFA asks Congress to continue reviewing the weight allowance tables and increase them to better reflect the needs and responsibilities of today's force.

While applauding this much needed change in weight allowances, families still wait for what they view as the most important improvement to the PCS process: full replacement value reimbursement for household goods lost or damaged in a government-ordered move. In the NDAA for Fiscal Year 2004, based on promises that the DOD household goods re-engineering initiative, "Families First," would be implemented in the fall of 2004, Congress authorized full replacement value reimbursement for military moves, but tied its implementation to the implementation of the re-engineering project. Unfortunately for families, "Families First" has not yet been implemented. The Military Surface Deployment and Distribution Command, the agency in charge of the household goods move process, announced last fall that, after many other delays, the implementation of "Families First" is in a "strategic pause." NMFA finds it disappointing that families have been anything but first in DOD's efforts to improve the move process. The delay to implement these improvements has gone on long enough. We believe DOD must have this program in place before the bulk of the overseas rebasing and BRAC moves occur. Military families want and deserve a program that works and have waited long enough.

> NMFA asks Congress to press DOD to implement "Families First" and begin paying full replacement value reimbursement as promised more than 2 years ago.

The shipment of a second vehicle for all uniformed services members moving to outside the continental United States assignment (including Alaska and Hawaii) has been a major quality-of-life issue for servicemembers and their families stationed overseas. With servicemembers' long work hours in support of the mission, having only one car available to the family limits a spouse's employment options and family members' access to commissaries, children's schools and activities, and installation support programs. NMFA hopes Congress will address this concern and authorize and fund the costs of shipping a second vehicle for overseas PCS moves.

PCS mileage reimbursement rates are no more than 20 cents per mile and then, only if four persons are in the vehicle. The official explanation for this rate is that the Monetary Allowance in Lieu of Transportation (MALT) and PCS rates were

never intended to reimburse the transportation costs for driving a car; they are based on commercial fares and are a payment instead of providing the member or employee with government-procured transportation. The MALT/PCS mileage rates do not reflect the price of gasoline. As we all know, commercial carriers are raising their rates because of the increased price of fuel. NMFA feels an increase in the PCS mileage rates would reflect the increase in the commercial rate and provide a more realistic reimbursement for mileage to servicemembers and families as they relocate.

Adjusting Housing Standards

Increased funding for BAH over the past 6 years has been a quality-of-life success story for military families. This funding has cut families' out-of-pocket costs tremendously, especially in high cost-of-living areas. DOD's claims that out-of-pocket costs for military families living off the installation have been "zeroed out" only apply, however, to averages. Many servicemembers' BAH still does not cover their families' total housing costs. This disparity is due in part to the housing standard tied to a servicemember's rank.

The trend in housing construction on military installations, whether through military construction or the privatization contracts, has been to construct larger homes that meet so-called "community standards." The standard on the installation for assigning or offering housing is based on rank and the number of family members. If an E–5 with three dependents is lucky enough to live on the installation in privatized housing, they may be living in a three-bedroom duplex or townhouse. Yet, if that E–5's family is forced to live off the installation in the community, the rate of BAH they receive is based on the DOD E–5 standard of a two bedroom townhouse. Servicemembers needing a larger home off-base cover the additional rental costs out of their own pockets. An enlisted member must be an E–9 before "earning" sufficient BAH to rent a single family dwelling.

NMFA believes it is time to revisit and possibly revamp the housing standards used to determine Basic Allowance for Housing to better reflect the "community standards" used in constructing housing on military installations and the responsibilities placed on servicemembers.

FAMILIES AND COMMUNITY

Military families are members of many communities. Communities small and large in every corner of the United States now have military families, due to the increased deployment and utilization of National Guard and Reserve members since the beginning of the global war on terrorism. NMFA has heard how these communities want to help the military families in their midst. They want to be better informed on how to provide this help. How can this be accomplished?

As the sacrifice of servicemembers and families continues in the global war on terrorism, many States have implemented military family friendly programs and passed legislation to support families. NMFA applauds the states assisting servicemembers and their families with in-State tuition, unemployment compensation for spouses, licensing reciprocity, and education and sports provisions for military children. The DOD State Liaison office works to promote these policies and publicizes them on the DOD Web site USA4MilitaryFamilies.org, a web forum for sharing information about State and local initiatives to support military families. Of special importance is the work this office is doing to improve community-based support for disabled servicemembers. It is also working to deter the payday lenders, check cashing stores, title loan companies, and other financial predators that plague servicemembers. DOD is promoting financial literacy programs to insure stability for the members and their families. NMFA has worked closely with the State Liaison Office on several State initiatives concerning spouse unemployment compensation, predatory lending, and in-State tuition.

Many States recognize the financial difficulties facing some National Guard and Reserve families. Some have instituted State-coordinated emergency funds financed through corporate and individual donations or through State residents' designations on their State income tax forms. Others pay the differential between State employees' military and civilian pay when the employee is mobilized or pay the health insurance premiums to enable the Guard or Reserve member's family to maintain continuity of health care. New Mexico pays the Servicemembers' Group Life Insurance premium for the deployed National Guard and Reserve members from their State.

Concern for deployed servicemembers from North Carolina and compassion for their loved ones left behind prompted the creation of a unique partnership to help the combatants' families, particularly those in remote areas. The Citizen-Soldier Support Program (CSSP) is a collaborative effort, funded by Congress through a

DOD grant, and coordinated by the University of North Carolina at Chapel Hill. CSSP is designed to mobilize communities and make them aware of the needs of local military families so people can reach out and help when help is needed. The program is designed as a preventative measure, as opposed to a crisis-response structure, to help with little things before they become big things. The support program uses existing agencies within counties and communities to broadcast the needs of military families. Liaisons also seek help from representatives of Rotary Clubs, Lions Clubs, the American Legion, and Veterans of Foreign War units who are interested in helping military families. Other States have expressed interest in starting similar programs. We hope North Carolina will be the training center to expand the program to other States and communities.

> NMFA recommends increased funding for community-based programs, including the North Carolina Citizen-Soldier Support Program, to reach out to meet the needs of geographically dispersed servicemembers and their families.

In conclusion, NMFA would like to thank the many dedicated people who serve our military families. We again express our extreme gratitude for the actions of this subcommittee, which has consistently supported the needs of our Nation's warriors and their families, both while on Active-Duty and in retirement. You too are part of the tapestry of support. By keeping military families strong, you are ensuring the force will remain strong.

Senator GRAHAM. Thank you. General.

STATEMENT OF LT. GEN. DENNIS MCCARTHY, USMC (RET.), EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION

General MCCARTHY. Mr. Chairman, I must begin by first expressing my very sincere thanks for the opportunity to appear here today. I ask that my written statement be accepted for the record. Thank you, sir.

I'm here to tell you that the ROA believes very strongly that the Nation's commitment to first class military health care for Active and Reserve members, for serving and retired personnel, must be honored. Our resolve on that point is unshakeable.

I had the privilege of serving in uniform as a United States Marine for almost 41 years. During 33 of those years, our Nation developed and depended on an All-Volunteer Force that was composed of both Active and Reserve components. Each of those components is essential to national security. The Active component was never designed to fight a sustained conflict without augmentation and reinforcement. Some of the earliest proponents of the All-Volunteer Force thought that that surge of reinforcements would have to come from a draft. As it turns out, that has not been necessary.

In the global war on terrorism we fought the first really sustained conflict with our All-Volunteer Force and we have done so without recourse to a draft because of the 500,000 men and women of the National Guard and Reserves who have surged forward to augment and reinforce the Active Forces. Keeping both components of that force together for future service requires a sustained recruiting and retention effort. It is in that context that military health care must be viewed.

Among the commitments that the Nation has made to the warrior citizens of the All-Volunteer Force is to provide first class health care to them and their families while they're serving in uniform and during their years of retirement. Congress has come to realize that this commitment is critical for both the Active and the Reserve components. The ROA has sought and will continue to seek to find a path that will allow the Nation to meet its health

care commitments to the warrior citizens and will also enable to it to meet other important commitments.

I'd like nothing better than to sit here and say "just appropriate more money," that whatever it costs, "just find the money." But regretfully, I don't believe that that's how things work in the real world and I don't think it's how they work in Washington, either.

As an association chartered by Congress to advance national security, ROA has chosen to support the position taken by the Chairman of the Joint Chiefs and by his fellow Service Chiefs who, we believe, are seeking a balanced approach that recognizes the fiscal realities of life in a time of war. We wish to work with Congress in finding a balance to meet health care commitments, to fund training and equipment needs of those serving in uniform today, and to avoid a course that will break the ability of our Nation to have an All-Volunteer Force.

Our key points are these: first, that independent verification is needed of the total cost of DOD health care benefits, and we believe Congress should propose a brief moratorium on changes until true costs are known; second, we believe that changes in the beneficiary cost share should be phased in and that the 2-year period proposed by the DOD is too abrupt; and third, that a fair 3-tier system is attainable for Reserve members, but operational reservists serving today are paying a disproportionate cost and we think Congress needs to take a hard look at that.

At the end of the day, we need a first class military health care system that our country can afford and that our warrior citizens see as a true benefit. I thank you for your consideration and I look forward to your questions.

[The prepared statement of General McCarthy follows:]

PREPARED STATEMENT BY LT. GEN. DENNIS M. MCCARTHY, USMC (RET.)

INTRODUCTION

Mr. Chairman and distinguished members of the Senate Armed Services Committee, on behalf of its 75,000 members, the Reserve Officers Association (ROA) thanks the committee for the invitation and opportunity to present testimony on military health care issues.

ROA applauds the efforts by Congress to address the issue of increasing Department of Defense (DOD) health care costs and its interest to initiate dialogue and work with both the Pentagon and the beneficiary associations to find the best solution. Unfortunately, the Members of Congress are caught between DOD and a coalition of beneficiary associations as particular positions are being advanced.

The health care issues that are before us are not black and white. No single source for solution is the best one. Outreach to many groups should be encouraged to solicit various concepts. ROA favors open dialogue and the generation of new ideas in support of the best solution. We hope that this hearing is just one step in a series of discussions toward finding an accord.

Health care services are vital to keeping the Nation's military force strong and ready. It is also a deferred benefit and recognition of retired members for their service to the Nation. ROA strongly urges that when all cost-sharing is finally taken into account, our beneficiaries must still view DOD health care as an enhanced benefit when compared to the private sector.

EXECUTIVE SUMMARY

Increasing the cost-share of DOD health care beneficiaries is admittedly an emotional issue. Yet the Nation and the DOD are faced with ever increasing health care costs. Because of the dynamics involved, this is an issue that shouldn't be rushed. Here is a summary of the key points as seen by the ROA.

Moratorium:

- As DOD has already directed the TRICARE contractors to move ahead on implementing the TRICARE PRIME fee increases, a moratorium on such increases should be declared to allow Congress time to review this action.

TRICARE Prime:

- Adjustments to the enrollment fee are acceptable if tied to true health care costs.
- It is important to independently verify the current total cost of DOD health care benefits. Such an audit will permit Congress to validate proposals based on cost-sharing percentages.
- A 2-year implementation is too abrupt. Cost-sharing adjustments should be spread over at least 5 years to permit household budgets to adjust.
- Annual increases should not be tied to the market-driven Federal Employee Health Benefits Plan (FEHBP).

TRICARE Standard:

- ROA does not endorse an annual enrollment fee for either DOD or the Department of Veterans' Affairs (VA).
- If TRICARE Standard requires beneficiary enrollment, it should be only a one-time minimal administrative fee.
- Adjustments to TRICARE Standard should be made to the deductible.
- Because of larger co-payments of 25 percent after the deductible, the costs of TRICARE standard need to be analyzed from a total cost rather than initial cost perspective.
- TRICARE Standards cost deductible automatically adjusts with escalating health care costs.

TRICARE Reserve Select (TRS):

- ROA is deeply concerned that after they return from deployment, operational reservists pay substantially higher premiums than retiree enrollment costs.
- Family Premiums for a Tier I TRS operational reservist are $3,336 per year for fiscal year 2006 compared to a proposed combined cost of $1,120 for TRICARE Standard in fiscal year 2008. This is inequitable.
- We agree that today's operational reservists should pay a fair share of the cost of their DOD health care when not on Active-Duty. However, a "fair share" should reflect their past and future contributions to the Nation. Congress's role in finding that "fair share" balance cannot be overstated.
- TRICARE standard deductible increases should not be rolled over into TRS.

On Pharmacy Co-payments:

- ROA believes higher retail pharmacy co-payment should not apply on initial prescriptions, but on maintenance refills.
- ROA supports DOD efforts to enhance the mail-order prescription benefit.

BACKGROUND

In testimony before Congress, Secretary of Defense Rumsfeld talked about the rising cost of health care. "The current health care system [as] funded is not sustainable. . . The Department's health care costs have almost doubled over the past 5 years—from $19 billion in 2001 to $37 billion in fiscal year 2006. . . Using a conservative projection, these health care costs will likely reach $64 billion in fiscal year 2015, an estimated 12 percent of the total Department budget. By comparison, health costs were 4.5 percent of the Department's budget back in 1990. . ."

"In 1995, beneficiaries paid 27 percent of their total health care costs," his testimony continued. "Today, because there has been no change in TRICARE annual premiums for 11 years, beneficiaries currently pay not 27 percent, but just 12 percent of costs. The proposed plan would ask retirees to pay somewhat more in premiums and for certain co-payments."

ROA clearly understands that health care costs must be brought back into alignment and that some cost will have to be borne by retirees and families of serving members, both Active and Reserve.

DISCUSSION

A number of visible issues relate to TRICARE in calendar year 2006. The Reserve Officers Association is concerned that a myopic focus on any one issue may cause a loss of focus on other equally important issues.

The ROA is disappointed in how the DOD Health Affairs has attempted to address such an emotionally laden issue unilaterally. ROA would like to thank Congress for its continued involvement and leadership on DOD health care issues.

While it is important to sustain the DOD health care benefit as a deferred benefit for our serving Active and Reserve component members and their families, it is not a necessary to do two quick increases "overnight" in the TRICARE fee schedules.

While retired, these beneficiaries have accepted risks and made sacrifices in their earlier military careers that have not been asked of the remaining 99 percent of the Nation's population. TRICARE fulfills an ongoing promise by the government for continued health care to those who have served or are serving.

Conversely, the DOD and this Nation cannot afford to carry the full burden of health care costs. The operational Active and Reserve Force and their families deserve the best, both while serving and into retirement. To preserve the top health care program in the Nation as a DOD benefit, the ROA is a proponent of cost-sharing.

ROA does not find the goal of returning the retiree beneficiary contribution to 27 percent of DOD's health care cost as being out of line, as it was Congress's intent in 1995. Yet, after 10 years of fixed costs, these increases should be phased-in over a wider duration of time to help those retirees on fixed incomes, and then any future increases should be affixed to a formula other than the civilian health care market place.

Some associations will suggest that there should be no jumps in annual premiums and that beneficiary fees should only be raised annually by the level of retiree cost-of-living adjustment. ROA's concern is by using this approach to cost share, the percentage of beneficiary contribution would continue to decline, with DOD paying an every increasing share. This could give DOD justification to implement a different plan.

Secretary Rumsfeld has publicly stated that DOD should not be in the business of health care. Ever increasing health care would provide DOD with a good reason to civilianize health care for families and retirees by transferring the program over to a company such as Blue Cross/Blue Shield. Beneficiaries would pay more for less benefits, and be subjected to the profit-making pressures of the commercial market, where premium cost have increased by double digits over the last 5 years.

Under a freeze on fees, the current Active-Duty retiree beneficiaries might continue paying a low cost-share, but the next generation, who is currently serving, would end-up paying more for their retirement programs. As with any deficit, the medical expenditures of the current generation would be cost-shifted to the next.

Fuzzy Numbers on Both Sides:

The challenge for using a 27 percent base line is determining of what it is 27 percent. Yet the pentagon seems to have trouble measuring this accurately. The TRICARE Reserve Select family premium (Tier I) is set in law at 28 percent as a TRICARE Standard program. The 2006 annual premium and deductible is $3,336 based on a $10,834 a FEHBP premium base of $10,834. Excluding deductibles, this is 28.02 percent.

Beneficiary medical expense totals have not yet been provided by DOD. Congress should ask the Pentagon for a financial breakdown. An independent audit by the Government Accountability Office (GAO) or another agency would allow Congress an opportunity to validate proposals based on cost-sharing percentages.

The numbers being used in materials by some beneficiary associations have also not been adequately delineated. ROA hopes in this testimony to provide sufficient details to support our positions.

TRICARE Prime has been the primary focus of DOD Health Affairs and its civilian health care contractors. A "fully loaded model" health care plan, it has been rated the #1 health care plan in national surveys for the last 3 years. Prime currently costs a retiree $460 per year. DOD has suggested a 2-year phase-in, 141 percent increase to $650 for enlisted E–6 and below, a 206.5-percent increase to $950 per year for E–7 thru E–10, and a 304-percent increase to $1,400 per year for officers. This is still a bargain when compared to what the average U.S. family is paying. A Kaiser Family Foundation Survey reported that in 2005 an employee paid 26 percent of the employer's annual premiums for family coverage of $10,880, or $2,828.80 per year for lesser health care coverage.

Single enrollees will have a 141-percent increase to $325 for enlisted E–6 and below, a 204.35-percent increase to $475 per year for E–7 thru E–10, and a 304-percent increase to $700 per year for single officers. Kaiser reported that civilian workers opting for single coverage paid an average of $643.84 per year, which could indicate the single officers' increase may be a little high.

TRICARE Standard:

The Reserve Officers Association has concerns with suggested enrollment fees and deductible increases for TRICARE Standard. TRICARE Standard is the system on which TRICARE Reserve Select is based. DOD Health Affairs and its contractors have benignly neglected TRICARE Standard at best.

While offered as an option to TRICARE Prime to Active-Duty retirees, TRS is the required choice for serving reservists and may be the health care plan of choice for Guard and Reserve retirees between the ages of 60 and 65 because most live outside the TRICARE Prime network of health care providers.

These areas have fewer authorized TRICARE providers. It becomes incumbent upon the TRICARE beneficiary to find a physician that accepts TRICARE Standard and often the beneficiaries must administer their own TRICARE health plan. Because of its costs and problems with availability, TRICARE Standard can only be viewed as DOD's "basic model" health care program.

TRICARE Prime is DOD's voluntary health maintenance organization, while TRICARE Standard is DOD's preferred provider organization plan and a fee for service plan.

Ironically, TRICARE Standard, which was intended by Congress to be the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) replacement, has become more expensive than TRICARE Prime, even without DOD's suggested enrollment fee increases. With a $150 deductible for singles and a $300 deductible for families, TRICARE Standard beneficiaries pay co-payments (cost-share) of 25 percent per visit after the deductible.

Comparing the average cost of an office visit between TRICARE Prime and TRICARE Standard we see that costs favor the beneficiary with TRICARE Prime. (See Appendix A.) From these calculations, it appears that the TRICARE Standard retiree beneficiary will be paying much more than 27 percent of the DOD cost share goal as set for TRICARE Prime.

TRICARE Prime beneficiaries pay only $12 per outpatient visit, and $30 for emergency care. However, if they choose to get care under the Point of Service option with care outside the TRICARE network, there's an annual deductible (for both inpatient and outpatient care) of $300 for an individual and $600 for a family.

TRICARE Extra gives a discount of 5 percent for co-payments (cost-share) for TRICARE retired standard beneficiaries who use TRICARE health care providers from the TRICARE Prime network.

DOD Health Affairs [table one] is attached, which gives more details on current cost.

For a healthy family, TRICARE Standard can be low cost, if they don't use the health care benefits, which is why it should remain a fee for service. If a family has frequent visits, costs under TRICARE standard will surpass those of TRICARE Prime. By adding a $140–$560 annual enrollment fee and increasing the annual deductible, TRICARE standard costs are being aligned with those of TRICARE PRIME. This is making the down payment on the "basic model" Standard as expensive as the "fully loaded" Prime.

	TRICARE Prime Enrollment Fee Single/Family	TRICARE Standard Enrollment + Deductible Single/Family
E–6 and Below	$325/$650	$325/$650
E–7 thru E–10	$475/$950	$385/$770
Officers	$700/$1,400	$560/$1,120

The Reserve Officers Association does not endorse annual enrollment fees for individuals who don't use the health care plan, whether it is DOD or VA.

ROA has never objected to requiring a TRICARE enrollment, as this would include those service members and retirees who don't use the TRICARE benefit. Rather than an annual fee, this can be handled by a one time fee to cover administrative costs; perhaps in the range of $25–$50, although this is atypical of the commercial market which charges only monthly premiums.

If increases were required for TRICARE Standard, ROA would rather see an emphasis on deductible costs rather than an annual enrollment fee.

We should also examine the levels of proposed deductibles. In the most common type of plan—PPO plans—the average deductible for in-network services was $323 for single coverage and $679 for family coverage. Yet, 44 percent of them have plans requiring co-payments of $20 or $25 for physician visits and prescription drugs, far less the TRICARE Standard's 25 percent co-payment.

Annual premium increases:

Once the 27 percent cost share is achieved, it is been reported that DOD wants to tie further annual increases to the premium increases of the FEHBP. According to a Kaiser Family Foundation survey released in September 2005, the average premium growth rate in 2005 year was 9.2 percent. This outpaced both the growth in wages (2.7 percent) and inflation (3.5 percent). The FEHBP increased its premiums by 14.5 percent. FEHBP has had double-digit increase for each of the last 5 years. Such disparity between increased health care costs and FEHBP premium increases will cause the retiree beneficiary cost share to rise beyond 27 percent.

If DOD is unable to calculate premium cost using the 27 percent figure, other cost-of-living indexes could be used, such as an annual inflation rate.

Pharmacy Co-payment changes:

DOD is suggesting an increase in co-payments in retail pharmacy from $3 to $5 dollars for generic prescriptions, and from $9 to $15 for brand drugs. Generic pharmacy prescriptions would drop from $3 to $0 to align with military clinics.

ROA understands the motives for this change, to encourage pharmacy beneficiaries to use the mail order pharmacy system, which is the least expensive. What DOD overlooks is that often times the retail pharmacy network is the only source to immediately fill a prescription, as many pharmacy beneficiaries are unable to go to a military clinic for the initial prescription.

ROA suggests that the higher retail pharmacy co-payments not apply on an initial prescription, but on refills of a serial maintenance prescription.

TRICARE Reserve Select:

While ROA is satisfied with a three-tier construct for cost share as developed by Congress, we are deeply concerned that the cost share for operational reservists who have just returned from mobilization is much higher than what is paid by Active-Duty retirees.

TRICARE Reserve Select family premium (Tier I) is based on a Federal Employee Health Benefit Plan premium base of $10,834. Family premiums and deductible for a Tier I TRS operational reservist are $3,336 per year for fiscal year 2006 compared to a proposed combined cost for retired officers of $1,120 for TRICARE Standard in fiscal year 2008. Single TRS combined costs $1,272 compared to the suggested TRICARE standard cost of $560. ROA finds this is inequitable.

This again gives an appearance that the reservist is a second-class warrior in the Total Force, when Active-Duty personnel are not charged any fee. We agree that today's operational reservists should pay a fair share of the cost of their DOD health care when not on Active-Duty. However, a "fair share" should reflect their past and future contributions to the Nation. Congress's role in finding that "fair share" balance cannot be overstated.

DOD may argue that Active personnel remain on Active-Duty, while the Selected reservist returns to civilian status; yet neither component is deployed 100 percent. General Pace has stated that the deployed schedule of Active personnel will be 1 year deployed, for every 2 years stateside duty. The plan for operational Army Guard or Reserve member is 1 year deployed, for every additional 4 years in "drill and training" status.

Using costing numbers for Active-Duty personnel, the Pentagon has determined that the Active-Duty member is on duty 270 days a year. A Guard or Reserve member's civilian employment is 264 days a year, plus Reserve employment per title 10 is another 38 days. Operational reservists are being encouraged to spend those 28 days in support of Active commands, which normally are outside the average commute distances of civilian employment. Including travel, Reserve duty days increase to over 50 days. Since operational support doesn't include administrative time, or professional training, another 24 days without pay can be added, at a minimum, to senior Guard and Reserve duty time, bringing Reserve contributions to 75 days or more. By the Pentagon's own numbers the average reservist is contributing over 120 days a year between drill and deployments.

ROA hopes that Congress re-examines the costs percentage of Guard and Reserve warriors who operational support the Total Force.

TRICARE Reserve Select is evolving into a stand alone health plan. While it uses the TRICARE standard as an engine, its fees are based on FEHBP premiums, so

it is no longer a TRICARE standard program. TRICARE standard fee increases must not be rolled over into TRS.

ROA Suggestions for Enhancing TRICARE Reserve Select:

1. Many different types of orders are being cut for operational support of Active-Duty. Guard and Reserve members are serving on these orders for various lengths of time. Operational support is being provided within theater, in support of theater, and on the peripheral. Examples:

1. Warfighters in Iraq and Afghanistan
2. Custom inspectors in Kuwait
3. Joint Task Force—Horn of Africa in Djibouti
4. Fleet support in Rota, Spain.
5. Air maintenance on combat aircraft in Turkey.
6. Guard duty at Guantanamo Bay
7. Active-Duty command support
8. Pentagon Staffing
9. Working with wounded marines and sailors at National Naval Medical Center, Bethesda, MD

Each duty disrupts a Guard or reservist's civilian career and interferes with the continuity of health care. Communication of benefits and narrow interpretation of "in support of contingency operations [1]" by Reserve service components has created an inconsistent policy when extending TRS to all who might qualify.

Section 701 of Public Law 108–375, 108th Congress, does not use the definition of "contingency operation." Instead, this section defines eligibility based on "service on Active-Duty." [2]

Section 704, Waiver of Certain Deductibles Under TRICARE Program for Members on Active-Duty for a Period of more than 30 Days, and Section 705, Authority for Payment by United States of additional amounts billed by health care providers to activated Reserves, do contain the contingency language.

Suggested changes:

1.a. Expand eligibility of the Tier I "earned benefit" to all members who are serving in support of the global war on terrorism, no matter what the type of order. Since the language only defines "Active-Duty" Congress should direct DOD to a broader interpretation.

1.b. Include legislative change to permit mobilized Reserve component member to accumulate health care to qualify for future TRS utilization. Suggested language footnoted.[3]

2. Request a study by GAO or another agency to explain why there is such a high drop out from application to acceptance in TRS. Over 40,000 have applied, but only 9,500 have been accepted. (See Appendix B)

3. Provide TRS to demobilized reservists returning to the Individual Ready Reserve (IRR). While Congress improved the benefit by allowing individual ready reservists a year to find a Selected Reserve Billet, this is not an option for many senior members.

Rather than precluding these operational reservists from a deserved benefit, have IRR members commit to a continued period in the IRR, subject to future recall, where these members will be required to maintain training and qualifying years.

4. Provide TRS to demobilized recalled retired reservists. As an incentive to recalled "gray area" retired reservist who volunteer for operational support should qualify for TRS. It is wrong to send them back into a "retirement" that has no benefits.

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[1] Title 10, section 101(a), paragraph (13), The term "contingency operation" means a military operation that——

"(A) is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or

"(B) results in the call or order to, or retention on, Active-Duty of members of the uniformed services under section 688, 12301(a), 12302, 12304, 12305, or 12406 of this title, chapter 15 of this title, or any other provision of law during a war or during a national emergency declared by the President. . ."

[2] a Guard and Reserve member as "eligible for health benefits under TRICARE Standard as provided in this section after the member completes service on Active-Duty to which the member was called or ordered for a period of more than 30 days on or after September 11, 2001."

[3] Sec. 1076d (a) ". . . which the member was called or ordered for a period of more than 30 days on or after September 11, 2001, under a provision of law referred to in section 101(a)(13)(B), if the member——

"(1) served continuously on Active-Duty for [an accumulated] 90 or more days pursuant to such call or order; and

5. TRS should be an incentive to transition Active-Duty members into the Reserve. If an Active component member leaves following a deployment, they can qualify for TRS.

6. Gray area retiree buy-in to TRS. Gray-area reservists are currently in limbo between TRS while drilling and TRICARE with retirement-in-pay. TRS buy-in would be at the full monthly cost, but at least this would provide a continuity of coverage for those waiting for TRICARE retirement.

7. Employer health care option: The Reserve Officers Association continues to support an additional option where DOD pays a stipend to employers of deployed Guard and Reserve members to continue employer health care during deployment. Because TRICARE Prime or Standard is not available in all regions that are some distance from military bases, it is an advantage to provide a continuity of health care by continuing an employer's health plan. This stipend need not be higher than any DOD contribution to Active-Duty TRICARE.

CONCLUSION

The Reserve Officers Association encourages ongoing oversight management of DOD health care by Congress. There is an attitude of autonomy within the Pentagon that overlooks the partnership of the branches of government. ROA looks forward to working with this committee, Congress, and the Pentagon on this and other issues for constructive solutions. When DOD clarifies these costs, ROA is willing to take this new information back to educate our members and support increases as necessary.

TABLE ONE

Retirees, Their Family Members, and Others

	TRICARE Prime	TRICARE Extra	TRICARE Standard
Annual Deductible	None	$150/individual or $300/family	$150/individual or $300/family
Annual Enrollment Fee	$230/individual $460/family	None	None
Civilian Cost Shares		20% of negotiated fee	25% of allowed charges for covered service
Outpatient **Emergency Care** **Mental Health Visit**	$12 $30 $25 $17 (group visit)		
Civilian Inpatient Cost Share	Greater of $11 per day or $25 per admission; no separate co-payment for separately billed professional charges	Lesser of $250/day or 25% of negotiated charges plus 20% of negotiated professional fees	Lesser of $535/day or 25% of billed charges plus 25% of allowed professional fees
Civilian Inpatient Skilled Nursing Facility Care	$11/day ($25 minimum) charge per admission	$250 per diem cost share or 20% cost share of total charges, whichever is less, institutional services, plus 20% cost share of separately billed professional charges	25% cost share of allowed charges for institutional services, plus 25% cost share of allowable for separately billed professional charges.
Civilian Inpatient Behavioral Health	$40 per day; no charge for separately billed professional charges	20% of total charge. Plus, 20% of the allowable charge for separately billed professional services	High Volume Hospitals - 25% hospital specific per diem, plus 25% of the allowable charge for separately billed professional services; Low Volume Hospitals - $175 per day or 25% of the billed charges, whichever is lower, plus 25% of the allowable charge for separately billed services

Appendix A
Comparative TRICARE Costs

Example

Family	Prime	Standard	TRS Tier I
Co-payment (c)		25%	20%
Enrollment	$460.00	-	-
Premium			$3036
Deductible (d)	-	$300	$300
Premium (p)			$3036 (p)
Office Visit #1 $100.00	$12.00	$100 (d)	$100 (d)
Office Visit #2 $100.00	$12.00	$100 (d)	$100 (d)
X-ray $75	$12.00	$75.00 (d)	$75.00 (d)
L.V. Therapy (Q0081) $33.00	$22	$25 (d)	$25 (d)
Lab (3810) 1,140.50		$285.13 (c)	$228.10 (c)
Operating Room (31628) 786.50		$196.63 (c)	$157.30 (c)
Observation Room (99201) 293.00		$73.25 (c)	$58.60 (c)
Claim Total $2,253.00	$22	$580.01	$460
Office Visit $100	$12	$25.00	$20.00
Total Cost $2628.00*	$530	$880.01	$3791.00

* Medical costs used are for example. Actual costs to TRICARE would be adjusted for the Medicare fee schedule.

TRICARE Reserve Select is a TRICARE insurance program that certain Guard/Reserve members may join for a monthly premium.
Deductibles and Co-Pays are equal to TRICARE Standard.
Depicted is the number who have signed up since it began in April 2005.

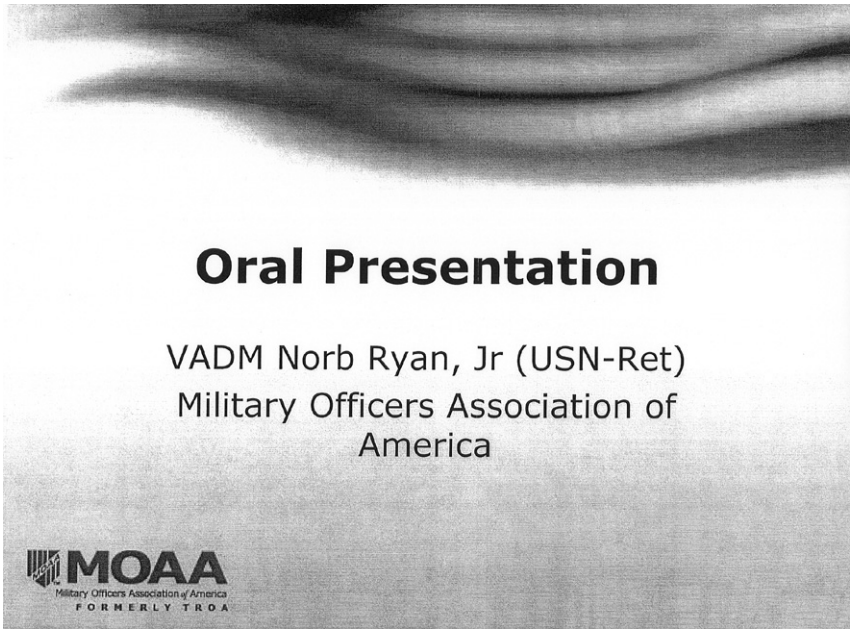
Date	Step 1 - Member enters into Service Agreement (SA) online through the Guard-Reserve portal	Step 2 - RC executes SA with mbr. on DD 2895 & TRS Verifying Official records through Guard- Reserve portal	Step 3 - Mbr. submits enrollment application with fee & TRICARE regional contractor processes into DEERS	Member only plans	Family Plans	Total Covered Lives
24-Feb-06	40365.00	20130	9467	3171	6296	26604
17-Feb-06	40176.00	20023	9421	3152	6269	26466
10-Feb-06	39960.00	19899	9451	3167	6284	26557
3-Feb-06	39674.00	19719	9440	3170	6270	26519
27-Jan-06	38678.00	19033	9418	3164	6254	26437
20-Jan-06	38135.00	18744	9356	3129	6227	26290
13-Jan-06	37187.00	18476	9318	3112	6206	26245
6-Jan-06	36071.00	17927	9276	3099	6177	26035
23-Dec-05	34383.00	17154	9098	3031	6067	25668
16-Dec-05	33331.00	16572	9025	3019	6006	25335
9-Dec-05	32241.00	15834	8901	2960	5941	25044
2-Dec-05	31118.00	15485	8736	2899	5837	24563
25-Nov-05	30399.00	15029	8546	2838	5708	24024
18-Nov-05	29512.00	14700	8351	2777	5574	23516
11-Nov-05	27774.00	14312	8010	2641	5369	22517
4-Nov-05	25310.00	13651	7365	2330	5035	21039
28-Oct-05	23176.00	12661	6587	2013	4574	19057
21-Oct-05	20772.00	10360	6052	1819	4233	17661
14-Oct-05	18749.00	9301	5484	1625	3859	16008
7-Oct-05	17353.00	8654	5117	1502	3615	14904
30-Sep-05	16030.00	7767	4728	1376	3352	13800
23-Sep-05	15164.00	7291	4295	1202	3093	12682
16-Sep-05	13943.00	6669	4016	1106	2910	11921
9-Sep-05	12696.00	6095	3699	1013	2686	10943
2-Sep-05	12190.00	5690	3476	948	2528	10314
26-Aug-05	11557.00	5314	3071	821	2250	9184
19-Aug-05	10899.00	4862	2862	779	2083	8496
12-Aug-05	10063.00	4479	2629	711	1918	7820
5-Aug-05	9363.00	4056	2382	637	1745	7122
29-Jul-05	8546.00	3676	2159	567	1592	6554
22-Jul-05	8233.00	3358	1937	507	1430	5825
15-Jul-05	7481.00	3026	1683	427	1256	5097

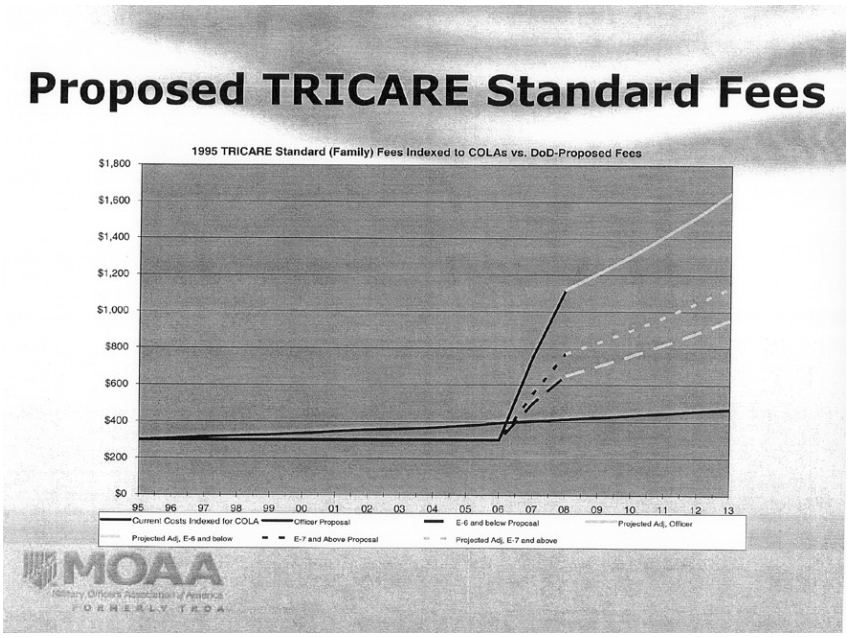
Senator GRAHAM. Admiral Ryan.

STATEMENT OF VADM NORBERT R. RYAN, JR., USN (RET.), PRESIDENT, THE MILITARY OFFICERS ASSOCIATION OF AMERICA

Admiral RYAN. Thank you, Mr. Chairman, Senator Nelson, and Senator Dole. We appreciate your leadership in arranging this meeting. In the interest of time I'll jump to MOAA's 3 minute bottom line, if I could, using these charts.

[The chart referred to follows:]

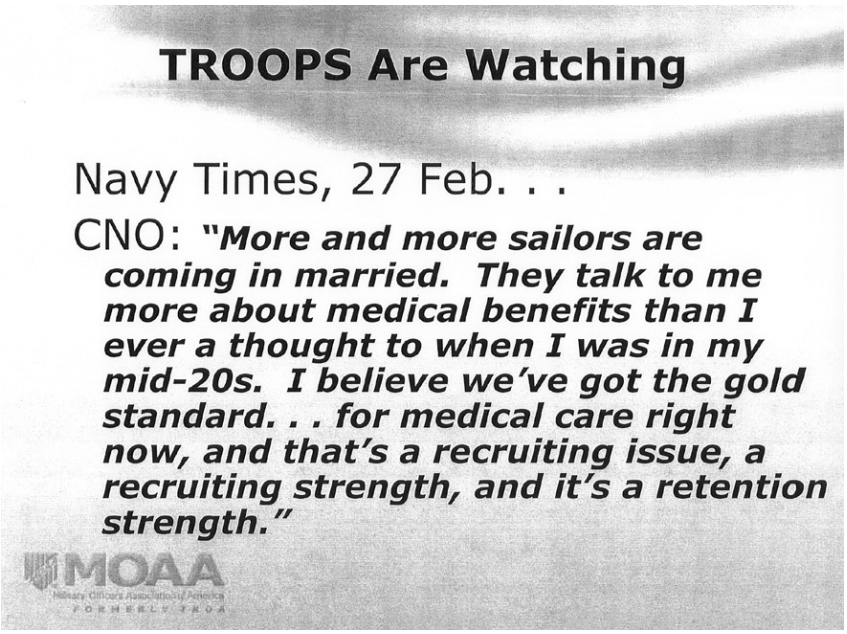




We see the DOD proposed health fee increases as inappropriate and disproportional. Proposed increases for all grades would far ex-

ceed military retired pay growth as shown by the blue line on the chart. This is unfair for the retired force and a current readiness concern too.

[The chart referred to follows:]



Some claim this isn't an issue for currently serving people, but this recent quote from the Navy Times shows how one leader sees health care affecting retention. In surveying our members' views, we've been overwhelmed by 34,000 responses as of this morning, including 4,000 Active-Duty members.

[The chart referred to follows:]

Beneficiary Views on Fee Hikes

MOAA Web Survey (29,000)

Category	DoD Plan %Opp/Favor	COLA-Based % Opp/Favor
Act. Duty	94% / 3%	73% / 16%
Gd/Res	92% / 5%	69% / 19%
Ret <65	96% / 2%	72% / 18%
Ret >65	91% / 4%	77% / 12%
Survivors	91% / 4%	83% / 11%

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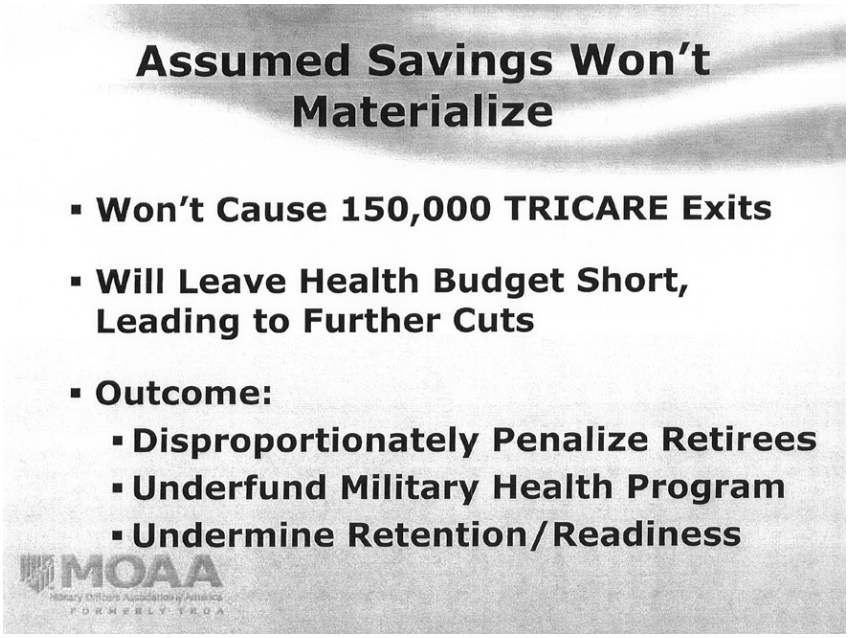
FORMERLY TROA

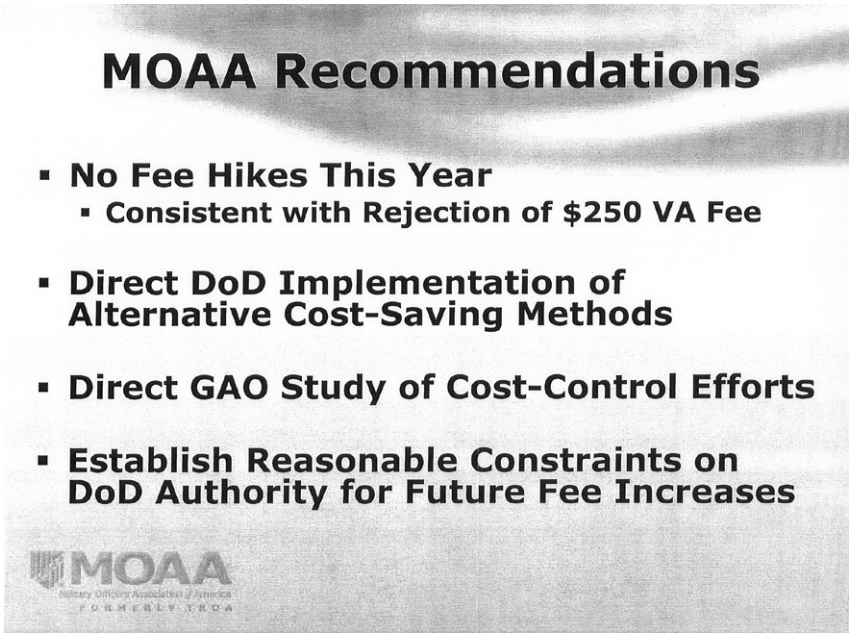
This next chart shows that more than 9 out of 10 oppose the DOD plan. They know they already paid huge up front premiums through decades of sacrifice. People aren't exactly lined up around the block at recruiting offices to get this great military health deal. Why? Because very few are willing to pay the extremely high price required to earn the benefit.

[The chart referred to follows:]



DOD's projected savings assume the fee increases will stop hundreds of thousands of people from using their earned military benefit. Congressman McHugh questioned the morality of that and we agree. On the pure budget side, some Pentagon analysts admit to us privately that the projected savings are grossly overstated. So the fee increases will just anger the troops, leave the health budget underfunded, and put our volunteer force at further risk. The sustainability of our superb All-Volunteer Force in this prolonged war already keeps many of us awake at night. A thousand dollar a year retirement benefit cut can't help.

[The chart referred to follows:]



This next chart shows MOAA's recommendations. First, do no harm, no fee increases this year. Second, DOD has lots of other ways to cut health care spending without charging beneficiaries. I offer for the record, this list of 16 possible options, just two of which, in the pharmacy area alone, could generate as much first year savings as DOD's proposal.

[The chart referred to follows:]

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Options to Reduce DoD Health Costs Without Adverse Beneficiary Impact

1. Encourage retention of other health insurance by making TRICARE a true second-payer to other insurance (TRICARE now often pays nothing, but paying the other insurance's copay would be far cheaper than having the beneficiary migrate to TRICARE)
2. Stimulate use of lower-cost mail-order pharmacy by reducing/eliminating mail-order copays
3. Negotiate with drug manufacturers to secure discounts in the TRICARE retail pharmacy network (the most costly venue), which DoD has so far declined to do
4. Change electronic claim system to reject errors in real time to help providers submit "clean" claims and to reduce delays and multiple submissions
5. Do more to educate beneficiaries and providers on advantages of mail-order pharmacy
6. Simplify TRICARE Prime referral system to reduce contractor overhead
7. Reduce TRICARE Reserve Select costs by allowing members the option of a government subsidy (at cost capped below cost of providing TRICARE) for payment of civilian employer health premiums during periods of mobilization
8. Eliminate DoD-unique administrative requirements that compel contractors to assume more overhead costs (and charge higher fees) than entailed in other insurance programs
9. Seek legislation restricting incentives private firms can offer employees to shift to TRICARE, or require such firms to provide matching payments to TRICARE
10. Offer special care management services to beneficiaries with chronic and expensive conditions
11. Legislate drug manufacturers' extension of federal pricing to TRICARE retail pharmacy network (rather than imposing higher fees on beneficiaries if drug companies don't do so)
12. Establish centralized DoD "high-cost pharmacy" for central ordering and filling of prescriptions for exceptionally high-cost drugs (AF model has been successful)
13. Realign military treatment facility pharmacy budget process for centralized funding, with greater emphasis on accountability and cost-shifting
14. Maximize efficiency by "carving out" a single national contract for all claims processing
15. Consider test of voluntary participation in Medicare Advantage Regional PPO to foster chronic care improvement and disease management programs
16. Size military facilities (least costly care option) to reduce reliance on civilian Prime networks (most costly care option) and treat more retirees under age 65

201 N. Washington Street
Alexandria, VA 22314-2539
800.234.6622 phone
www.moaa.org

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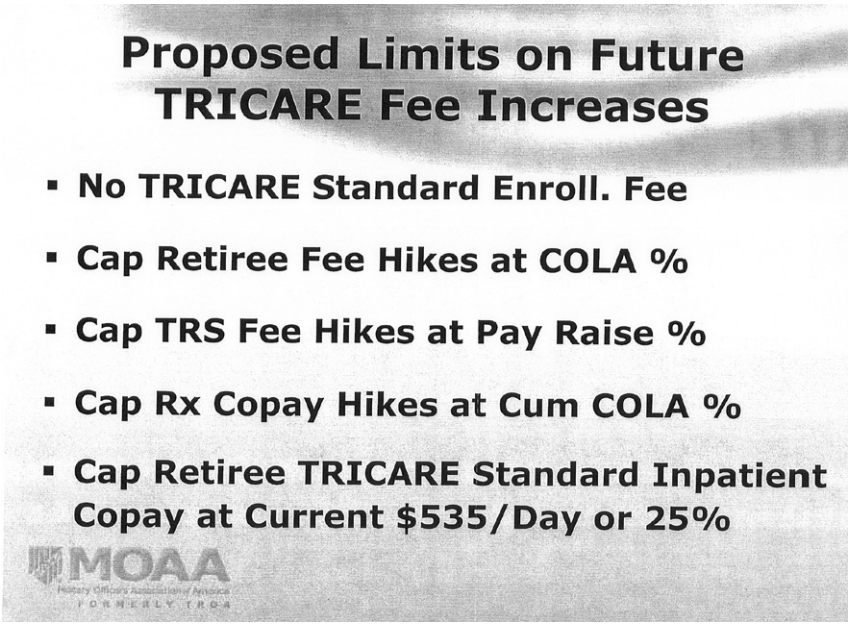
There should also be an outside look at DOD's cost containment efforts and alternative savings options. Finally, we support some statutory constraints on DOD's current fee adjustment authority.

[The chart referred to follows:]



Mr. Chairman, my last chart is a list of suggested statutory caps we hope this subcommittee will consider. While this hearing's focus is on health care, I hope the subcommittee can continue to make progress again this year on other military coalition priorities concerning end strength, the survivor benefit plan, concurrent receipt, and certainly Guard and Reserve health and retirement needs. We thank all of you for your leadership and your efforts to find fair answers on these vital issues.

[The joint prepared statement of Admiral Ryan and Mr. Zerr follows:]

JOINT PREPARED STATEMENT BY VADM NORB RYAN, JR. (USN-RET.) AND EDGAR ZERR

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
- Non Commissioned Officers Association
- Reserve Enlisted 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

Health Care Issues

Defense Health Program Funding

The Military Coalition (TMC) urges the subcommittee to ensure continued full funding for Defense Health Program (DHP) needs.

Protecting Beneficiaries Against Cost-Shifting

The Coalition recommends against implementing any increases in health fees for uniformed services beneficiaries this year. The Coalition believes strongly that America can afford to and must pay for both weapons and military health care. The Coalition recommends strongly against establishment of any TRICARE Standard enrollment fee. The Coalition urges the subcommittee to require the Department of Defense (DOD) to pursue greater efforts to improve TRICARE and find more effective and appropriate ways to make TRICARE more cost-efficient without seeking to "tax" beneficiaries and make unrealistic budget assumptions. (See separate National Military Family Association (NMFA) testimony concerning TRICARE Prime premiums and Standard deductibles.)

TRICARE Standard Improvements

The Coalition urges the subcommittee to establish requirements for TRICARE Standard beneficiary surveys and a definition of what level of provider participation shall be deemed to require positive action to increase it. The Coalition urges the subcommittee to direct DOD to eliminate TRICARE-unique administrative requirements that deter provider participation and thus contribute to denying beneficiaries access to care. The Coalition recommends requiring DOD to work with the State Medical Associations and the Centers for Medicare and Medicaid Services to initiate an appropriate information program for providers who will not see TRICARE patients, highlighting specific improvements in claims/payment processing timeliness.

TRICARE Reimbursement Rates

The Coalition urges the subcommittee to exert what influence it can to persuade the Ways and Means/Finance Committees to reform the Medicare/TRICARE statutory payment formula. To the extent the Medicare rate freeze continues, we urge the subcommittee to encourage the Defense Department to use its reimbursement rate adjustment authority as needed to sustain provider acceptance. The Coalition urges the subcommittee to require a Comptroller General report on the relative propensity of physicians to participate in Medicare vs. TRICARE, and the likely effect on such relative participation of a further freeze in Medicare/TRICARE physician payments.

TRICARE vs. Medicare Coverage

The Coalition urges the subcommittee to align TRICARE coverage to at least match that offered by Medicare in every area.

TRICARE Reserve Select

The Coalition strongly recommends capping TRICARE Reserve Select (TRS) premium increases at a percentage not to exceed the percentage of their basic pay raise. The Coalition recommends increasing the Federal subsidy for TRS, at least for those members who do not have access to employer-sponsored health coverage. The Coalition recommends developing a cost-effective option to have DOD subsidize premiums for member's private insurance as an alternative to TRICARE Reserve Select coverage. We recommend a Government Accountability Office (GAO) report to identify the level of payment that would represent a cost-effective option for the government.

Uniformed Services Employment and Reemployment Rights Act (USAERRA) Protections

The Coalition urges continued efforts to ensure consistency of benefits and continuity of care for Guard and Reserve members and their families in an environment of increased length and frequency of deployments.

Restoration of TRICARE For Widows

The Coalition recommends restoration of TRICARE benefits to previously eligible survivors whose second or subsequent marriage ends in death or divorce.

TRICARE Prime Remote

The Coalition recommends removal of the requirement for the family members to reside with the Active-Duty member to qualify for the TRICARE Prime Remote Program.

BRAC, Re-Basing, and Relocation

The Coalition urges Congress to codify the requirement to provide TRICARE Prime in Base Realignment and Closure (BRAC)-affected areas and ensure, via a report from DOD, that adequate health resources are available to provide care within access standards for those affected by re-basing.

Mental Health

The Coalition strongly urges Congress to closely monitor DOD and Department of Veterans' Affairs (VA) implementation of much-needed Post Traumatic Stress Disorder (PTSD) awareness and treatment programs.

Pharmacy Copayments

The Coalition recommends no changes to the copayment rates until all medications are available in the mail order program and limiting any future pharmacy copayment increases to the lesser of the percentage increase in basic pay or retired pay, rounded down to the next lower dollar. The Coalition recommends eliminating beneficiary copayments in the mail-order pharmacy system for generic and brand name medications to incentivize use of this lowest-cost venue and generate substantial cost savings.

Expansion of "Third Tier" Formulary

The Coalition urges the subcommittee to monitor DOD's consideration of Beneficiary Advisory Panel input in future uniform formulary decisions and reassert its intent that the Panel should have a substantive role in the process, including access to meaningful data on relative cost of drugs in each affected class. The Coalition recommends a GAO review of the Uniform Formulary process to determine whether actions taken thus far have realized the projected savings.

TRICARE Prime Referral and Authorization System

The Coalition recommends that Congress require a cost analysis report concerning the referral process within DOD and reliance on Civilian Network Providers within a Military Treatment Facility's (MTF) Prime Service Area.

DOD–VA Transition

The Coalition urges the committee to direct and oversee a concerted "Manhattan Project" effort to ensure full and timely implementation of seamless transition activities, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessments, and one-stop physical at time of discharge.

Tax Law Changes

The Coalition urges all Armed Services Committee members to press the Ways and Means and Finance Committees to approve legislation to allow all beneficiaries to pay TRICARE-related insurance premiums in pre-tax dollars, to include

TRICARE Prime enrollment fees and premiums for TRICARE Standard supplements, long-term care insurance, and TRICARE dental premiums.

Dental Issues

The Coalition recommends allowing TRICARE-eligible former spouses to participate in the TRICARE Retiree Dental Plan. The Coalition recommends a GAO study of the viability of subsidizing the retiree dental program, including the likely long-term impact of different subsidy levels on retiree participation and dental health.

Active Force Issues

Pay Raises

The Military Coalition strongly recommends providing military pay raises that exceed the Employment Cost Index until such time as full military pay comparability has been restored. The Coalition further recommends targeted increases for selected noncommissioned officers/petty officers and warrant officers as needed to attain the 70th-percentile comparability standard.

Family Readiness, Support Structure, and Morale, Welfare and Recreation Programs

The Military Coalition urges Congress to maintain a well-funded family readiness and support structure to enhance family well-being and to improve retention and morale. The Coalition also asks Congress to highlight and protect the interests of all beneficiaries impacted by overseas rebasing, Army modularity, and BRAC and ensure support services and infrastructure remain in place throughout the entire transition period for all beneficiary populations.

Personnel Strengths

TMC strongly urges sustaining end strengths to meet mission requirements, and opposing force reductions that have the primary purpose of paying for other programs.

Housing

TMC urges correction of military housing standards that inequitably depress Basic Allowance for Housing (BAH) rates for mid to senior enlisted members by assuming their occupancy of inappropriately small quarters.

Flexible Spending Accounts

TMC urges the subcommittee to continue pressing the DOD until servicemembers are provided the same eligibility to participate in Flexible Spending Accounts (FSAs) that all other Federal employees and corporate employees enjoy.

Permanent Change of Station Reimbursement

The Military Coalition supports upgrading permanent change-of-station (PCS) allowances to reflect the expenses members are forced to incur in complying with government-directed relocations.

Dependent Education

The Coalition urges the subcommittee to continue its priority on mitigating adverse effects of government decisions on military children's education. The Coalition urges the subcommittee to support nationwide in-State tuition eligibility for service families in the State in which the member is assigned or the member's home State of record, and continuity of in-State tuition once established for a military student. The Coalition also urges support of a nationwide reciprocity standard to allow full transfer of school credits for graduation requirements for service and family members. The Coalition continues to believe that it would be a powerful career retention incentive to authorize transferability of at least a portion of Montgomery G.I. Bill (MGIB) benefits to family members for long-serving members who agree to complete a military career.

Montgomery GI Bill

The Coalition urges the subcommittee's support for a 21st century MGIB, with benefit amounts indexed to the cost of a 4-year education at a public institution, and no reduction in benefits for education obtained while on Active-Duty.

Guard and Reserve Issues

Guard/Reserve Health Care

The Coalition strongly recommends increasing subsidy levels for TRICARE coverage for drilling Guard/Reserve members not yet mobilized and having one set rate for members of the Guard and Reserve who continue to be drilling members. The

Coalition supports further strengthening rights under the Uniformed Services Employment and Reemployment Rights Act (USERRA) to permit Reserve component members to retain employer-sponsored insurance if coverage is terminated due to TRICARE benefits provided 90 days prior to mobilization. The Coalition supports extending military dental coverage to reservists for 180 days post mobilization (during Transition Assistance Management Program (TAMP)), unless the individual's dental readiness is restored to T–2 condition before demobilization.

Guard/Reserve Retirement Age

TMC urges Congress to reduce the age when a Guard and Reserve member is eligible for retirement pay, particularly for those members who have experienced extended mobilizations.

Transition Assistance Services and Protections

TMC urges funding of tailored Transition Assistance Program (TAP) services and enactment of stronger economic, financial, academic, health and legal protections for Guard and Reserve members and their families.

"Total Force" Montgomery GI Bill

TMC supports the integration of all elements of the MGIB under title 38, restoring benefit rates commensurate with service performed, and a post-service eligibility period for Selected Reserve members.

Guard and Reserve Family Support Programs

TMC urges Congress to continue and expand its emphasis on providing consistent funding and increased outreach to connect Guard and Reserve families with these support programs.

Overseas Rebasing, Base Realignment and Closure Issues

Rebasing and BRAC

The Military Coalition urges the subcommittee to monitor the implementation of rebasing, BRAC, and Service Transformation initiatives to ensure protection of support services for military families.

Survivor Program Issues

Survivor Benefit Plan-Dependency Indemnity Compensation (SBP–DIC) Offset

The Military Coalition strongly supports legislation to repeal the SBP–DIC offset introduced by Senator Nelson (D–FL) (S. 185) and Representative Brown (R–SC) (H.R. 808), respectively. Enactment remains a top Coalition goal for 2006.

30-Year Paid-Up SBP

The Military Coalition recommends a 2-year acceleration of the implementation date for paid-up SBP coverage, so that it takes effect on October 1, 2006.

Final Retired Pay Check

The Military Coalition urges Congress to allow survivors of retirees to retain the full month's retired pay for the month in which the retired member dies.

Retirement Issues

Concurrent Receipt

The Coalition urges the subcommittee to expand Combat-Related Special Compensation to members who were medically compelled to retire short of 20 years of service solely because of their combat-incurred disabilities, as envisioned in H.R. 1366. The Coalition urges the subcommittee to end the disability offset to retired pay immediately for otherwise-qualifying members rated as "unemployable" by the VA.

Former Spouse Issues

The Military Coalition urges legislation to eliminate inequities in the USFSPA.

OVERVIEW

Mr. Chairman, TMC thanks you and the entire subcommittee for your continued, unwavering support of our Active-Duty, Guard, Reserve, retired members, and veterans of the uniformed services, to include their families and survivors. The subcommittee's work has generated significant improvements in military end strength, pay, health care, survivor benefits, and disabled retiree programs.

Six years ago, the Joint Chiefs of Staff advised Congress of the need to repeal REDUX, fix pay raises, and correct inequities in retiree health care, all of which

were having a negative retention impact on serving members. You heard the call, and made those fixes and others.

Now, unfortunately, we hear increasing complaints about the cost of some of those improvements from leaders who seem to have forgotten why they were enacted.

Some in the administration argue for a return to past practices of capping military pay raises below private sector wage growth. Service leaders are planning force reductions even as Congress has authorized end strength increases to meet frenetic rotation requirements that have no end in sight. Defense officials decry the cost of retiree health care and seek to impose four-figure increases in health care fees charged to those who spent a career thinking they were paying their premiums in specie of personal and family sacrifice.

Some contend that support for military personnel programs inevitably faces a periodic cycle of ebb and flow, and that the benefit improvements of the last 6 years must now yield to several years of cutbacks.

The Military Coalition continues to look to this subcommittee for leadership to ensure the country doesn't return to the penny-wise and pound-foolish benefit cutbacks that caused the retention problems of the 1970s and the 1990s.

Today's reality is that 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 is a real concern, and anyone who talks to frustrated military families has to question the credibility of any alleged rosy retention outlook.

In testimony today, TMC offers its collective recommendations on what needs to be done to address these important issues and sustain long-term personnel readiness.

Full Funding for the Defense Health Program

We particularly appreciate the key role played by the subcommittee in ending the chronic under funding experienced in past years. But recent events raise our concern that this condition is likely to arise again unless the subcommittee continues its aggressive oversight.

The Defense Department, Congress, and The Military Coalition all have reason to be concerned about the rising cost of military health care. But it is important to recognize that the bulk of the problem is a national one, not a military-specific one. It's also important, in these times of focus on deficits, to keep in perspective the government's unique responsibility as the recruiter, retainer, employer, and custodian of a career military force that serves multiple decades under extraordinarily arduous conditions to protect and preserve our national welfare.

In this regard, the government's responsibility and obligations to its servicemembers go well beyond those of corporate employers. The Constitution itself puts the responsibility on the government to provide for the common defense, and on Congress to raise and maintain military forces. No corporate employer shares any such awesome responsibility and obligation, and there is no other employee population upon whom the entire Nation depends for its very freedom.

Congress has pursued its responsibilities with vigor on behalf of those who are sacrificing, have sacrificed, and will continue to sacrifice so much for the rest of America. Continuing those vigorous efforts will be essential in addressing the budget challenges of the years ahead.

> The Military Coalition urges the subcommittee to ensure continued full funding for Defense Health Program needs.

Protecting Beneficiaries Against Cost-Shifting

The administration is proposing a significant increase in fees paid by retired uniformed services beneficiaries, including doubling or tripling enrollment fees for TRICARE Prime and tripling or quadrupling fees for TRICARE Standard. In addition, the President's budget recommends a 67-percent increase in retail pharmacy fees for all Active-Duty, Guard, Reserve, retired, and survivor beneficiaries.

The Coalition believes strongly that these proposed increases are disproportional, inequitable, inappropriate, and unwise. (See separate NMFA testimony concerning TRICARE Prime premiums and Standard deductibles.)

The Coalition recommends against implementing any increases in health fees for uniformed services beneficiaries this year.

People vs. Weapons

Dr. William Winkenwerder, Assistant Secretary of Defense (Health Affairs), briefed the Coalition that rising military health care costs are "impinging on other service programs." Other reports indicate that DOD leadership is seeking more

funding for weapons programs by reducing the amount it spends on military health care and other personnel needs.

The Military Coalition asserts that such budget-driven trade-offs are misguided and inappropriate. Cutting people programs to fund weapons ignores the much larger funding problem, and only makes it worse.

The Coalition believes strongly that the proposed defense budget is too small to meet national defense needs. Today's defense budget (in wartime) is less than 4 percent of gross domestic product, well short of the average for the peacetime years since WWII.

> The Coalition believes strongly that America can afford to and must pay for both weapons and military health care.

Comparison With Civilian Plans Is Inappropriate

Defense leaders assert that substantial military fee increases are needed to bring military beneficiary costs more in line with civilian practices. But comparison with corporate practices is inappropriate.

Military medical and retirement benefits must be markedly better than civilian benefits, since they are the primary offsets for enduring decades of extraordinarily arduous military service conditions that constitute military members' unique contributions toward their unique retirement and health benefits.

The Nation has a far greater obligation to military retirees than corporations have to theirs. In demanding such extraordinary commitments from career servicemember, the government assumes a reciprocal obligation to provide benefits commensurate with their extraordinary sacrifices.

TRICARE Standard Enrollment Fee is Inappropriate

TRICARE Standard has long been the basic military insurance coverage. Only 50 percent of providers in America have ever submitted a TRICARE claim, and many providers are reluctant to accept Standard beneficiaries. Many who do so refuse to accept any new TRICARE patients. To date, little effort has been expended by the DOD or its contractors to assist Standard beneficiaries in finding providers.

When TRICARE Prime was authorized in 1995, Congress authorized an enrollment fee for this program in recognition that beneficiaries who signed up for Prime could expect a higher level of service. They were to be guaranteed access to a participating provider within established timeliness standards.

The Department is now attempting to establish an enrollment for TRICARE Standard without any such commitment for a higher level of service. With TRICARE provider payments expected to decline in the future under current law, provider participation is actually likely to decline in the future.

Establishing an enrollment fee without any commitment to provide improved service for that fee is inappropriate.

> The Coalition recommends strongly against establishment of any TRICARE Standard enrollment fee.

Large Retiree Fee Increases Can Only Hurt Retention

The reciprocal obligation of the government to maintain an extraordinary benefit package to offset the extraordinary sacrifices of career military members is a practical as well as moral obligation. Mid-career military losses can't be replaced like civilians can.

Eroding benefits for career service can only undermine long-term retention/readiness. Today's troops are very conscious of Congress' actions toward those who preceded them in service. One reason Congress enacted TRICARE For Life (TFL) is that the Joint Chiefs of Staff at that time said that inadequate retiree health care was affecting attitudes among Active-Duty troops.

The current Joint Chiefs have endorsed increasing TRICARE fees only because their political leaders have convinced them that this is the only way they can secure funding for weapons and other needs. TMC believes it is inappropriate to put the Joint Chiefs in the untenable position of being denied sufficient funding for current readiness needs if they don't agree to beneficiary benefit cuts.

Reducing military retirement benefits would be penny-wise and pound-foolish when recruiting is already a problem and an overstressed force is at increasing retention risk.

TFL Trust Fund Accrual Deposit Is Dubious Excuse

An analysis by the Congressional Budget Office showed that most of the growth in defense health spending (56 percent) is attributable to overall growth in national health care spending. The next largest contributor is beneficiary population growth (23 percent). Establishment of the accrual accounting methodology for the TFL trust

fund (which doesn't affect current outlays) accounts for 18 percent of the DOD cost growth.

When the DOD argued 2 years ago that the trust fund deposit was impinging on other defense programs, the Coalition and the subcommittee agreed that that should not be allowed to happen. When the administration refused to increase the budget topline to accommodate the statutorily mandated trust fund deposit, Congress changed the law to specify that the entire responsibility for TFL trust fund deposits should be transferred to the Treasury. Subsequently, administration budget officials chose to find a way to continue charging that deposit against the defense budget anyway.

In the Coalition's view, this represents a conscious and inappropriate administration decision to cap defense spending below the level needed to meet national security needs. If the administration chooses to claim to Congress that its defense budget can't meet those other needs, then Congress (which directed implementation of TFL and the trust fund deposit) has an obligation to increase the budget as necessary to meet them.

Proposed Increases Far Exceed Inflation Increases

The administration's proposed increases are grossly out of line with TRICARE benefit levels originally enacted by Congress, even allowing for interim inflation since current fees were established.

If the $460 family prime enrollment fee were increased by interim consumer price index (CPI) changes (those used to increase retired pay), assuming the same 2.5 percent future CPI change assumed in the President's budget, it would be $635 for fiscal year 2008—far less than $1,400 proposed by DOD.

If the $300 deductible for TRICARE Standard were CPI-adjusted for the same period, it would be $414 by 2008—one-third the $1,200 in annual deductible and new fees proposed by DOD.

Further, the administration proposes to make annual fee adjustments thereafter, based on Federal Employees Health Benefit Plan (FEHBP) medical inflation, which has been two to three times the inflation-based increases in members' retired pay. This would ensure that members' medical costs would consume a larger share of their income with each passing year. The Coalition realizes that this has been happening to many private sector employees, but believes strongly that the government has a greater obligation to protect the interests of its military beneficiaries than private corporations feel for their employees.

Proposed Increases Disproportional to VA Fee Changes

Congress acted wisely in each of the last 2 years by squelching administration proposals to institute an annual enrollment fee of $250 and significantly raise pharmacy co-payments for non-disabled veterans who had served as few as 2 years. This year, the VA has increased pharmacy copayments by $1. Tripling and quadrupling TRICARE fees for retirees who served 20–30 years in uniform and raising retail pharmacy copays by 67 percent for all military beneficiaries would be grossly disproportionate in comparison.

Unrealistic Budget Assumptions Will Leave TRICARE Underfunded

The DOD budget proposal assumes the proposed fee increases and co-payment changes will save money by shifting 14 percent of pharmacy users away from retail outlets and causing hundreds of thousands of current beneficiaries to exit TRICARE by 2011. Thus, DOD has reduced the amount budgeted for health care on the assumption that it will be treating fewer beneficiaries.

Many Defense and Service analysts believe it is unrealistic to assume that this number of beneficiaries will leave TRICARE if such fees are introduced, largely because switching to civilian coverage usually would entail even larger fees for beneficiaries.

Because the assumed level of beneficiary flight is extremely unlikely to occur, the Department almost certainly will experience a substantial budget shortfall before the end of the year. This would then require supplemental funding, further benefit cutbacks, and even greater efforts to shift more costs to beneficiaries in future years.

Thus, the most likely result of this misguided cost-shifting proposal would be to disproportionately penalize retirees, undermine military health benefits, and further threaten future retention and readiness.

Alternative Options to Make TRICARE More Cost-Efficient

The Coalition believes strongly that the DOD has not sufficiently investigated other options to make TRICARE more cost-efficient without shifting costs to bene-

ficiaries. The Coalition offers the list of alternatives below as initial cost saving possibilities.

- Promote retaining other health insurance by making TRICARE a true second-payer to other insurance (far cheaper to pay another insurance's copay than have the beneficiary migrate to TRICARE)
- Eliminate DOD-unique administrative requirements that make DOD pay higher overhead fees
- Size and staff military treatment facilities (least costly care option) to reduce reliance on non-MTF civilian providers
- Change electronic claim system to kick back errors in real time to help providers submit "clean" claims, reduce delays/multiple submissions
- Change law to limit incentives private firms can offer employees to shift to TRICARE, or require such matching payments to TRICARE
- Increase efficiency via a single contract for all claims processing
- Implement effective disease management programs and ensure coordination across the entire system
- Test voluntary participation in Medicare Advantage Regional PPO to foster chronic care improvement and disease management
- Negotiate with drug manufacturers for retail pharmacy discounts (the most costly venue), which DOD has failed to do, or change the law to mandate Federal pricing for retail pharmacy network (rather than charging beneficiaries more if drug companies don't agree to Federal pricing)
- Reduce/eliminate all mail-order copays to boost use of lowest-cost venue
- Do more to educate beneficiaries and providers on advantages of mail-order pharmacy
- Establish one central DOD facility to order/fill all prescriptions for exceptionally high-cost drugs (Air Force model has been successful)
- Centralize military treatment facility pharmacy budget/funding process, with emphasis on accountability and cost-shifting

TRICARE Still Has Significant Shortcomings

While DOD chooses to focus its attention on the cost of the TRICARE program to the government, the Coalition believes those making that case too often fail to acknowledge that TRICARE continues to have significant problems that deter many providers from accepting it and affect delivery of care to beneficiaries.

The Coalition urges the subcommittee to require DOD to pursue greater efforts to improve TRICARE and find more effective and appropriate ways to make TRICARE more cost-efficient without seeking to "tax" beneficiaries and make unrealistic budget assumptions.

TRICARE Standard Improvements

The Coalition very much appreciates the subcommittee's continuing interest in the specific problems unique to TRICARE Standard beneficiaries. In particular, we applaud your efforts in the National Defense Authorization Act (NDAA) for Fiscal Year 2006 to expand TRICARE Standard provider surveys and establish Standard support responsibilities for TRICARE Regional Offices. These are needed initiatives that should help make it a more effective program. We remain concerned, however, that more remains to be done. TRICARE Standard beneficiaries need assistance in finding a provider that can provide health care services within a reasonable time and distance from their home. This will become increasingly important with the expansion of TRICARE Reserve Select as these individuals are most likely not living within a Prime Service Area.

Provider Participation Adequacy

The provider surveys are a first step and should provide a wealth of additional information. The question is what use will be made of the information.

The Coalition is concerned that DOD has not established any standard for the adequacy of provider participation. Participation by half of the providers in a locality may suffice if there is not a large Standard beneficiary population. The Coalition would prefer to see an objective participation standard (perhaps number of beneficiaries per provider) that would help shed more light on which locations have participation shortfalls of Primary Care Managers and Specialists that require positive action. The Coalition is not asking DOD to build a TRICARE Standard network. However, once shortfalls are identified then further action by DOD should be undertaken to entice providers to accept TRICARE Standard patients.

We are also concerned about whether the Standard surveys actually measure what they purport to measure. In particular, we are perplexed that DOD survey results for some locations do not conform to (admittedly anecdotal) inputs that bene-

ficiary associations have received from some of the same localities. Coalition discussions with those who processed the surveys yielded acknowledgements that health care providers may give different answers to the surveyors than they give to beneficiaries—if only because the beneficiaries may ask different questions of them than the survey-takers do. The Coalition believes it would be useful and appropriate to conduct independent surveys of TRICARE Standard beneficiaries, so that beneficiary inputs could be correlated with provider inputs for a given area.

The Coalition urges the subcommittee to establish requirements for TRICARE Standard beneficiary surveys and a definition of what level of provider participation shall be deemed to require positive action to increase it.

Administrative Deterrents to Provider Participation

Feedback from providers indicates TRICARE imposes additional administrative requirements on providers that are not required by Medicare or other insurance plans. On the average, about 50 percent of a provider's panel is Medicare patients, whereas only 2 percent are TRICARE beneficiaries. Providers are unwilling to incur additional administrative expenses that affect only a small number of patients. Thus, providers are far more prone to non-participation in TRICARE than in Medicare.

One problem is that TRICARE requires that each provider be identified by each physical location where he or she performs services. If a clinic has 50 providers that have privileges at 10 different addresses in a clinic group, TRICARE requires 500 unique provider numbers. Medicare and most commercial insurers are moving to embrace a National Provider Indicator. TRICARE has been reluctant to change because of concerns for identifying fraud, but Medicare has been successful in fraud identification using one unique provider identification number.

Another problem is that, TRICARE still requires submission of a paper claim to determine medical necessity on a wide variety of claims for Standard beneficiaries. This thwarts efforts to encourage electronic claim submission and increases provider administrative expenses and delays receipt of payments. Examples include speech therapy, occupational/physical therapy, land or air ambulance service, use of an assistant surgeon, nutritional therapy, transplants, durable medical equipment, and pastoral counseling.

Another source of claims hassles and payment delays involve cases of third party liability (e.g., auto insurance health coverage for injuries incurred in auto accidents). Currently, TRICARE requires claims to be delayed pending receipt of a third-party-liability form from the beneficiary. This often delays payments for weeks and can result in denial of the claim (and non-payment to the provider) if the beneficiary doesn't get the form in on time. Recently, a major TRICARE claims processing contractor recommended that these claims should be processed regardless of diagnosis and that the third-party-liability questionnaire should be sent out after the claim is processed to eliminate protracted inconvenience to the provider of service.

The Coalition urges the subcommittee to direct DOD to eliminate TRICARE-unique administrative requirements that deter provider participation and thus contribute to denying beneficiaries access to care.

Provider Education Needs Improvement

While these and other administrative impediments remain to be corrected, the Coalition does believe that overall claims processing timeliness has improved considerably from previous years.

We believe one reason for provider non-participation in TRICARE is lack of information, outdated information, or previous bad experiences with TRICARE in areas that have subsequently seen substantial improvement. DOD is currently developing an annual newsletter for TRICARE Standard beneficiaries and could generate an informative newsletter to providers who have submitted claims. This will be all well and good but the target group of providers that will not get a newsletter or information are those who do not see TRICARE beneficiaries. We look forward to working with DOD to improve efforts to educate providers with respect to the differences between TRICARE Standard and TRICARE Prime. A solid education and communication program will go a long way to attract providers.

The Coalition recommends requiring DOD to work with the State Medical Associations and the Centers for Medicare and Medicaid Services to initiate an appropriate information program for providers who will not see TRICARE patients, highlighting specific improvements in claims/payment processing timeliness.

Tricare Reimbursement Rates

Physicians consistently report that TRICARE is virtually the lowest-paying insurance plan in America. Other national plans typically pay one-quarter to one-third higher rates. In some cases the difference is even higher.

While TRICARE rates are tied to Medicare rates, TRICARE Managed Care Support Contractors make concerted efforts to persuade providers to participate in TRICARE Prime networks at a further discounted rate. Since this is the only information providers receive about TRICARE, they see TRICARE as even lower-paying than Medicare.

This is exacerbated by annual threats of further reductions in TRICARE rates due to the statutory Medicare rate-setting formula. Doctors are unhappy enough about reductions in Medicare rates, and many already are reducing the number of Medicare patients they see.

But the problem is far more severe with TRICARE, because TRICARE patients typically comprise a small minority of their beneficiary caseload. Physicians may not be able to afford turning away large numbers of Medicare patients, but they're more than willing to turn away a small number of patients who have low-paying, high-administrative-hassle TRICARE coverage.

Congress has acted to avoid Medicare physician reimbursement cuts for the last 3 years, but the failure to provide a payment increase for 2006 is another step in the wrong direction according to physicians. Further, Congress still has a long way to go in order to fix the underlying reimbursement determination formula.

Correcting the statutory formula for Medicare and TRICARE physician payments to more closely link adjustments to changes in actual practice costs and resist payment reductions is a primary and essential step. We fully understand that is not within the purview of this subcommittee, but we urge your assistance in pressing the Ways and Means and Finance Committees for action.

In the meantime, the rate freeze for 2006 makes it even more urgent to consider some locality-based relief in TRICARE payment rates, given that doctors see TRICARE as even less attractive than Medicare.

The TRICARE Management Activity has the authority to increase the reimbursement rates when there is a provider shortage or extremely low reimbursement rate for a specialty in a certain area and providers are not willing to accept the low rates. In some cases, a State Medicaid reimbursement for a similar service is higher than that of TRICARE. To date, this authority has been used only in Alaska. One concern, as mentioned previously, is that the Department has been reluctant to establish a standard for adequacy of participation.

There are specialties that do not fall cleanly within the Medicare reimbursement rates. Obstetrical and pediatric services have been a constant source of aggravation for military beneficiaries and the Managed Care Support Contractors. We applaud Congress' requirement for a Comptroller General report on obstetrical and pediatric reimbursement levels to ensure the adequacy of a quality network. We look forward to its findings and in the meantime encourage DOD to make full use of its authority to set higher rates for these specialties.

> The Coalition urges the subcommittee to exert what influence it can to persuade the Ways and Means/Finance Committees to reform Medicare/TRICARE statutory payment formula. To the extent the Medicare rate freeze continues, we urge the subcommittee to encourage the Defense Department to use its reimbursement rate adjustment authority as needed to sustain provider acceptance.
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> The Coalition urges the subcommittee to require a Comptroller General report on the relative propensity of physicians to participate in Medicare vs. TRICARE, and the likely effect on such relative participation of a further freeze in Medicare/TRICARE physician payments.

Minimize the Differences between Medicare and TRICARE Coverage

DOD submitted a report to Congress last year indicating the coverage differences between Medicare and TRICARE. The report showed that there are at least a few services covered by Medicare that are not covered by TRICARE. These include an initial physical at age 65, chiropractic coverage, respite care, and certain hearing tests. We believe that the TRICARE coverage should at least be the equal of Medicare's in every area. Our military retirees have made sacrifices far and above those who have not served and deserve no less coverage than is provided to other Federal beneficiaries.

> The Coalition urges the subcommittee to align TRICARE coverage to at least match that offered by Medicare in every area.

Guard and Reserve health care

The Coalition applauds the subcommittee for extending TRS coverage to all member of the Selected Reserve in the NDAA for Fiscal Year 2006. Since DOD is relying upon the Guard and Reserve personnel more heavily and deployments are becoming longer and more frequent we must continue to view these individuals as an indispensable part of our Armed Forces. We should treat them accordingly.

Setting the TRS Premium

We have concerns over the manner at which the premiums for this program are set. Currently, the DOD adjusts TRS premiums based on annual adjustments to the basic FEHBP insurance option. This adjustment mechanism has no relationship either to the Department's military health care costs or to increases in eligible members' compensation.

The Coalition believes we have a higher obligation to restrain health cost increases for currently serving military members who are periodically being asked to leave their families and lay their lives on the line for their country. These members deserve better than having their health premiums raised arbitrarily by a formula that has no real relationship to them.

The Coalition strongly recommends capping TRS premium increases at a percentage not to exceed the percentage of their basic pay raise.

Improve Premium Subsidies

Although we recognize that Congress took a huge step in expanding eligibility to all members of the Selected Reserve, we are also aware that the step finally taken fell well short of what both the House and Senate Armed Services Committees initially recommended last year. We are very concerned that the high premiums required for those who have not been mobilized in the recent past will deter many Guard and Reserve members from needed participation.

The Coalition recommends increasing the Federal subsidy for TRS, at least for those members who do not have access to employer-sponsored health coverage.

Private Insurance Premium Option

The Coalition believes Congress is missing an opportunity to reduce its health care costs (for retired members as well as for Selected reservists) by failing to authorize eligible members the option of electing a partial subsidy of their civilian insurance premiums in lieu of TRICARE coverage.

Many members would be motivated to elect this option, especially if their family's current health care provider is reluctant to participate in TRICARE. Rather than having to find a new provider who will accept TRICARE, many beneficiaries may prefer a partial subsidy (at lower cost to DOD) to preserve the convenience and continuity of their family's health care.

The Department could calculate a maximum monthly payment level that would represent a cost savings to the government, so that each member who elected that option would reduce TRICARE costs.

The Coalition recommends developing a cost-effective option to have DOD subsidize premiums for member's private insurance as an alternative to TRICARE Reserve Select coverage. We recommend a GAO report to identify the level of payment that would represent a cost-effective option for the government.

USERRA protections

We very much appreciate Congress' continuing efforts to ensure that USERRA provisions catch up to recent changes in members' service requirements. One continuing need is to further strengthen rights under USERRA to permit Reserve component members to retain employer-sponsored insurance if coverage is terminated due to the existence of TRICARE coverage, and to protect their re-enrollment rights in employer-provided health coverage upon expiration of TAMP and 28-percent-subsidized TRS coverage.

The Coalition urges continued efforts to ensure consistency of benefits and continuity of care for Guard and Reserve members and their families in an environment of increased length and frequency of deployments.

Consistent Benefit

As time progresses and external changes occur, we are made aware of pockets of individuals who for one reason or another are denied the benefits that they should be eligible for. DOD and all its health contractors were leaders in modifying policy and procedures to assist Katrina victims. Additionally, Congress' action to extend

eligibility for TRICARE Prime coverage to children of deceased Active-Duty members was truly the right thing to do.

Restoration of TRICARE for Widows

One group of individuals that has earned the TRICARE benefit is now being closed out and needs to be brought back into the fold. When a TRICARE-eligible widow/widower remarries, he/she loses TRICARE benefits—and rightly so. When that individual's second marriage ends in death or divorce, the individual has eligibility restored for military identification card benefits, including SBP coverage, commissary/exchange privileges, etc.—with the sole exception that TRICARE eligibility is not restored.

This is out of line with other Federal health program practices, such as the restoration of Civilian Health and Medicare Program of the Veterans' Administration (CHAMPVA) eligibility for survivors of veterans who died of service-connected causes. In those cases, VA survivor benefits and health care are restored upon termination of the remarriage.

Military survivors deserve equal treatment.

> The Coalition recommends restoration of TRICARE benefits to previously eligible survivors whose second or subsequent marriage ends in death or divorce.

TRICARE Prime Remote exceptions

We thank Congress for the NDAA for Fiscal Year 2006 provision allowing the Secretaries to waive the requirement for the spouse to reside with the servicemember for purposes of TRICARE Prime Remote eligibility if the service determines special circumstances warrant such coverage. We remain concerned about the potential for inconsistent application of eligibility, however.

With longer deployments and sea shore and overseas assignment patterns families are faced with some tough decisions. A spouse and children may find it easier and more supportive to reside with or around relatives during extended separations from their Active-Duty spouse. The special authority is a step in the right direction, but there is a wide variety of circumstances that could dictate a family separation of some duration, and the Coalition believes each family is in the best situation to make its own best decision.

> The Coalition recommends removal of the requirement for the family members to reside with the Active-Duty member to qualify for the TRICARE Prime Remote Program.

BRAC, Rebasing, and Relocation

Relocation from one geographic region to another brings multiple problems. A smooth health care transition is crucial to a successful relocation. That means ensuring a robust provider network and capacity is available as long as members and families remain in either losing or gaining locations affected by BRAC and global rebasing. A major effort is essential by the Department and its Managed Care Support Contractors to ensure smooth beneficiary transition from one geographic area to another.

It also is important to sustain Prime networks at closing locations to protect health care access for Guard/Reserve and retired members and families remaining in the area. We stress the importance of coordination of construction and funding in order to maintain access and operations while the process takes place.

> We urge Congress to codify the requirement to provide TRICARE Prime in BRAC-affected areas and ensure, via a report from DOD, that adequate health resources are available to provide care within access standards for those affected by rebasing.

Mental Health

We are most appreciative of the extra effort the subcommittee made in the NDAA for Fiscal Year 2006 to assist members and families who may be affected by PTSD or other psychological conditions. The pilot projects on PTSD and creation of a Task Force on Mental Health are major steps to establish outreach and ensure returning members and their families get timely access to the care they need.

We support the establishment of a meaningful pre- and post-deployment mental health screening process to ensure members and their families are referred to and receive appropriate interventional services. We will be very interested in the results of the studies Congress has required of DOD on this topic and look forward to working with DOD and Congress as the results are completed.

The Coalition strongly urges Congress to closely monitor DOD and VA implementation of much-needed Post Traumatic Stress Disorder awareness and treatment programs.

Pharmacy

The TRICARE Pharmacy benefit must remain strong and affordable and meet the pharmaceutical needs of millions of eligible beneficiaries. While we are pleased at the overall operation of the program, the Coalition does have concerns about certain apparent trends.

In particular, we are concerned about ongoing efforts to shift disproportional cost increases onto military beneficiaries.

Pharmacy Copayment Changes

The Coalition is concerned that, 5 years after pharmacy copayment levels were established, the Department is proposing a 67-percent increase in retail copayments. The rationale for the proposed increase is the rapid growth in retail pharmacy use since enactment of TRICARE For Life.

The Coalition believes strongly that uniformed services beneficiaries deserve more stability in their benefit levels, and that DOD has not performed due diligence in exploring other ways to reduce pharmacy costs without shifting such increased expense burdens to beneficiaries. Thus far, the Department has refused to negotiate with drug companies for discounts in the retail arena. Not enough has been done to educate beneficiaries and providers on the advantages of the mail-order program. The Department has failed to centralize purchasing and filling of prescriptions for high-cost drugs, as the Air Force has done successfully.

Last year, Congress rightfully rejected the administration's proposal to double VA pharmacy copayments for certain categories of nondisabled veterans. This year, the VA increased copayments by $1 for those categories, a much more reasonable adjustment that would not have happened without Congress' intervention. Military beneficiaries deserve no less protection.

A formula that limits pharmacy copayment increases to the lesser of the percentage increase in basic pay or retired pay, rounded down to the next lower dollar, would provide for modest periodic adjustments consistent with beneficiary income increases. DOD should not modify copayment rates until all medications that are available in the retail system are also available in the mail order program.

The Coalition recommends no changes to the copayment rates until all medications are available in the mail order program and limiting any future pharmacy copayment increases to the lesser of the percentage increase in basic pay or retired pay, rounded down to the next lower dollar.

Most of all, the Department has ignored what the Coalition believes would create the most powerful incentive for beneficiaries to shift from the more costly retail program to the mail order program—eliminating mail-order copays. While modest already, mail-order copayments entail considerable processing expense for the contractor and DOD. In many cases, the processing expense is greater than the value of the copayment. Marketers know that offering something for free is a powerful economic incentive. The Coalition believes that eliminating mail-order copayments altogether would send a strong economic and educational message to beneficiaries on the advantages of the mail-order system, and that the government would realize very large savings from this change.

The average drug purchased in the mail-order system saves the government $49 relative to providing the drug through the retail system. If all mail-order copayments would be eliminated, the savings would still be at least $43 per prescription (in fact, savings would be larger, since the government would no longer pay contractors to process copayments). Elimination of mail-order copays would save the government $20 million for each 1 percent of prescriptions that migrate from the retail to the mail-order pharmacy system.

The Coalition recommends eliminating beneficiary copayments in the mail-order pharmacy system for generic and brand name medications to incentivize use of this lowest-cost venue and generate substantial cost savings.

Rapid Expansion of "Third Tier" Formulary

The Coalition very much appreciated the efforts of the subcommittee to protect beneficiary interests by establishing a statutory requirement for a Beneficiary Advisory panel (BAP) to give beneficiary representatives an opportunity in a public forum to voice our concerns about any medications DOD proposes moving to the third tier ($22 co-pay). We were further reassured when, during implementation

planning, Defense officials advised the BAP that they did not plan on moving many medications to the third tier.

Unfortunately, this has not been the case. To date, DOD has moved 41 medications to the third tier. While the BAP did not object to most of these, the BAP input has been universally ignored in the small number of cases when it recommended against a proposed reclassification. In at least one case, the medications moved to the third tier affected 98 percent of the beneficiaries with prescriptions in that particular class of drug. The Coalition is also concerned that the BAP has been denied access to information on relative costs of the drugs proposed for reclassification and the DOD has established no mechanism to provide feedback to the BAP on why its recommendations are being ignored.

The Coalition believes the subcommittee envisioned that the BAP would be allowed a substantive input in the Uniform Formulary decision process, but that has not happened. We hope to address this matter substantively with the Assistant Secretary of Defense for Health Affairs (ASD(HA)).

> The Coalition urges the subcommittee to monitor DOD's consideration of BAP input in future uniform formulary decisions and reassert its intent that the Panel should have a substantive role in the process, including access to meaningful data on relative cost of drugs in each affected class.
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> The Coalition recommends a GAO review of the Uniform Formulary process to determine whether actions taken thus far have realized the projected savings.

TRICARE Prime and Managed Care Support Contractor Issues

DOD and its health contractors are continually trying to improve the level of TRICARE Prime service. We appreciate their inclusion of our associations in their process improvement activities and will continue to work with them to ensure the program remains beneficiary-focused and services are enhanced, to include: Beneficiary education, network stability, service level quality, uniformity of benefit between regions (as contractors implement best business practices), and access to care.

Referral and Authorization System

There has been much discussion and consternation concerning the Enterprise Wide Referral and Authorization system. Much time, effort and money have been invested in a program that has not come to fruition. Is adding to the administrative paperwork requirements and forcing the civilian network providers into a referral system really accomplishing what DOD set out to do? Rather than forcing unique referral requirements on providers, perhaps DOD should look at expanding its Primary care base in the Prime Service Areas and capture the workload directly.

> The Coalition recommends that Congress require a cost analysis report concerning the referral process within DOD and reliance on Civilian Network Providers within an MTF's Prime Service Area.

DOD/VA Transition

TMC is grateful that the NDAA for Fiscal Year 2005 required DOD to do a better job of collecting baseline health status data through a formal medical readiness tracking and health surveillance system.

Seamless Transition

Our Nation's service men and women deserve first class treatment and services before, during and after separation from military service. DOD and VA have critical, complementary roles in the transition process. Unfortunately, bureaucratic inertia and intramural priorities in DOD and the VA have slowed the pace of collaborative efforts towards the goal of "seamless transition". Some of these efforts have been going on for decades 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.

Single Separation Exam

We are particularly concerned about the significant gaps in implementing a single separation physical 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 VA are headquartered here. It seems reasonable to expect the Washington, DC MTFs to serve as models for other DOD and VA medical delivery systems. TMC recommends the committees to provide continued oversight to ensure that this important program is implemented promptly and effectively at all sites.

Electronic Medical Record

DOD has developed an electronic health record system (AHLTA) that will provide DOD providers with real-time, centrally based access to beneficiary health information regardless of current location. This is a wonderful advancement and we applaud DOD's efforts. However, the current system still does not allow direct transfer of this information to the VA upon separation of an Active-Duty member. This poses a major problem which must be corrected as soon as possible. We look forward to seeing the results of the report on this topic as required by the NDAA for Fiscal Year 2006 and hope that Congress will demand a highly ambitious implementation of two-way electronic data exchange between DOD and VA.

The Coalition urges the committee to direct and oversee a concerted "Manhattan Project" effort to ensure full and timely implementation of seamless transition activities, a bi-directional EMR, enhanced post-deployment health assessments, and one-stop physical at time of discharge.

Tax Law Changes

Many uniformed services beneficiaries pay annual enrollment fees for TRICARE Prime, and premiums for supplemental health insurance, such as a TRICARE supplement, the TRICARE Dental and Retiree Dental Plans, or for long-term care insurance. For most military beneficiaries, these premiums are not tax-deductible because their annual out-of-pocket costs for health care expenses do not exceed 7.5 percent of their adjusted gross taxable income. In 2000, a Presidential directive allowed Federal employees who participate in FEHBP to have premiums for that program deducted from their pay on a pre-tax basis. Similar legislation for all active and retired military and Federal civilian beneficiaries would restore equity with private sector workers, many of whom already can pay their health premiums with pre-tax dollars. Tax incentives will help offset the cost of these important coverages, promote enrollment, and reduce members' liability for catastrophic expenses.

The Coalition urges all Armed Services Committee members to press the Ways and Means and Finance Committees to approve legislation to allow all beneficiaries to pay TRICARE-related insurance premiums in pre-tax dollars, to include TRICARE Prime enrollment fees and premiums for TRICARE Standard supplements, long-term care insurance, and TRICARE dental premiums.

Dental Issues

Former Spouse Dental Coverage

The TRICARE Retiree Dental plan offers retirees the option to purchase a dental insurance policy. There is only one category of TRICARE-eligible beneficiaries who are denied eligibility to participate in the TRICARE Retiree Dental Plan—otherwise qualifying former spouses. The Coalition believes this inconsistency is inappropriate.

The Coalition recommends allowing TRICARE-eligible former spouses to participate in the TRICARE Retiree Dental Plan.

Retiree Dental Plan

The TRICARE Retiree Dental Plan is contractor-operated and is not subsidized by the government. Retired beneficiary premiums must cover the total cost of the program. For retirees, this has become an increasing monthly expense, with some choosing to forego dental care. For the long term, the Coalition would like to see some level of government subsidy for the TRICARE Retiree Dental Plan.

The Coalition recommends a GAO study of the viability of subsidizing the retiree dental program, including the likely long-term impact of different subsidy levels on retiree participation and dental health.

ACTIVE FORCE ISSUES

The Coalition appreciates the subcommittee's many actions to help relieve the stress of repeated deployments—end strength increases, bonus improvements, family separation, and danger area pay increases, and more.

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. They are enduring longer duty days; increased family separations; cutbacks in installation services; less opportunity to use education benefits; and significant out-of-pocket expenses with each PCS move.

Intensified and sustained operations in Iraq and Afghanistan are being met by servicemembers' patriotic dedication, but retention must be an increasing concern

as 1 percent of Americans continue to bear the entire burden of national sacrifice in the global war on terrorism. Service leaders may tout seemingly high retention figures, but the Coalition cannot reconcile this with the ever-increasing stresses on military families.

Military families have continued to demonstrate their exceptional support of servicemembers' long, recurring deployments; yet, 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. Unless they see some prospect of near-term respite, 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. High retention simply cannot continue to co-exist with such levels of high operations tempo and family separations, despite the reluctance of some to see anything but rosy scenarios.

The Coalition views with alarm the Defense Department's determination to sacrifice troop levels to pay for weapons systems, with seemingly little regard for the impact these decisions will have on servicemembers and their future retention. The finest weapon systems in the world will be of little use if the Services don't have enough high quality, well-trained people to operate, maintain and support them.

The Coalition believes the "weapons or people" debate is a patently false one—akin to forcing a choice between one's left and right arms.

Pay Raises

Now that the statutory requirement to reduce the relative military "pay gap" has expired, the Coalition is concerned that an administration looking for ways to cut people costs may seek to reintroduce the failed practice of capping military raises. In the relatively recent past, the Office of Management and Budget (OMB) advocated capping military pay raises at the level of inflation, rather than restoring comparability with private sector wage growth. The measure of merit with pay raises is not inflation—it's the draw from the private sector. 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 to your efforts, the gap has been reduced to 4.4 percent in 2006. But while the subcommittee recently established private sector wage growth as the statutory standard for future military pay raises, there is no longer any statutory requirement to continue reducing the current comparability gap.

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. Those targeted raises were intended to establish a new pay comparability standard, setting military pay at the 70th percentile of earnings for private workers of comparable age, experience, and education as recommended by the 9th Quadrennial Review of Military Compensation..

In recent years, however, the OMB has denied DOD's request to continue targeted raises for career servicemembers—a decision that deeply disappointed the Coalition.

Pay and allowance raises and higher reenlistment bonuses are essential to reduce other significant career irritants, but they can't fix fatigue and lengthy, frequent family separations.

A recent RAND Corporation survey indicated that the higher operations tempo and extended working hours, even when not deployed, are taking a toll on military members and families that will harm retention. Over the long run, experience has shown that time and again that time spent away from the family—whether on deployment or at the home duty station—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 providing military pay raises that exceed the Employment Cost Index until such time as full military pay comparability has been restored. The Coalition further recommends targeted increases for selected noncommissioned officers/petty officers and warrant officers as needed to attain the 70th-percentile comparability standard.

Maintain Well-funded Family Readiness, Support Structure, and Morale, Welfare and Recreation Programs

Today, two-thirds of Active-Duty families and virtually all Guard and Reserve families live off military installations, and more than one-half 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, especially when military families are coping with the increased deployments and separation.

More needs to be done to "connect" servicemembers and their families with important resources. Military OneSource has provided a great start to improve family readiness; however, a more aggressive outreach effort is needed to educate servicemembers and their families on the benefits and programs to which they are entitled. These outreach efforts need to address the unique needs of National Guard and Reserve families to include transitioning to and from Active-Duty status. Traditional delivery systems of "build it and they will come" no longer serve the transforming military community of today that is increasingly non-installation based. More robust outreach delivery systems and programs are called for that can be accessed anywhere and anytime.

Additionally, we cannot forget Public Health Service families as deployments are expected to increase under Public Health Service transformation initiatives. A systematic and integrated family support system will help families cope with deployment stresses and military life demands. Addressing such issues as childcare, spousal employment/education, flexible-spending accounts, increases in Servicemembers Group Life Insurance, and other quality-of-life concerns will go a long way in enhancing family well-being and improving retention and morale of the force.

Because of multiple DOD modernization efforts (global rebasing, Army modularity, and BRAC initiatives) that are occurring simultaneously, TMC is concerned about the synchronization, pace of planning, implementation timetables, timing of budgets and resource allocations, and the evaluation of the rebasing and BRAC plans. TMC asks Congress to ensure necessary family support/quality-of-life program dollars are in line with the DOD/military services overseas rebasing and BRAC plans. Further, the Coalition urges Congress to insist that support services and infrastructure remain in place at both the closing and the gaining installations, throughout the transition period.

The Coalition appreciates the recent congressional enhancements in military childcare, family readiness, and supportive counseling programs to assist families in dealing with deployments and the return of servicemembers. Family support, quality-of-life, and morale, welfare, and recreation (MWR) programs are especially critical to the readiness of our forces and the support of their families during periods of conflict and extended separations. Therefore, the Coalition urges the subcommittee to block any DOD initiative that withholds, reduces, or eliminates program dollar availability for military beneficiaries. In order for these programs to flourish, they require consistent sourcing, deliberate outreach, and must remain flexible to meet emerging challenges.

> The Military Coalition urges Congress to maintain a well-funded family readiness and support structure to enhance family well-being and to improve retention and morale.
>
> The Coalition also asks Congress to highlight and protect the interests of all beneficiaries impacted by overseas rebasing, Army modularity, and BRAC and ensure support services and infrastructure remain in place throughout the entire transition period for all beneficiary populations.

Personnel Strengths

The Coalition has been disappointed at the Defense Department's annual resistance to Congress' repeated offers to permanently increase Service end strength to relieve the stress on today's Armed Forces. While we are encouraged by the subcommittee's work to increase Army and Marine Corps end strength and authorizing much needed recruiting and retention bonuses; however, we are deeply concerned that administration-proposed plans rely too heavily on overly optimistic retention assumptions, overuse of the Guard and Reserves, optimistic scenarios in Southwest Asia, and the absence of new contingency needs.

The Department has indicated that it prefers to "transform" forces, placing nonmission essential resources in core warfighting skills, and transferring certain functions to civilians. However, any such implementation will take a long time while we continue to exhaust our downsized forces.

In addition, the Department is already cutting back even on those plans, proposing to reduce six Army National Guard brigades, reduce planned growth in the

number of Active-Duty brigades, continue systematic personnel reductions within the Navy, and impose further dramatic reductions in Air Force personnel. Media reports indicate that previous plans to civilianize military positions have been changed, and that substantial numbers of military positions now will simply be eliminated, without civilian replacements—imposing even greater stress on the remaining force.

Force reductions envisioned in the Quadrennial Defense Review are being undertaken not because of any reduction in mission, but simply to free up billions of dollars for weapons programs.

Defense leaders warn that the long-term mission against terrorism will require sustained, large deployments to Central Asia and elsewhere, but the Services are being denied the manpower to meet those requirements without unacceptable impacts on members' and families' quality-of-life.

If the administration does not recognize when extra missions exceed the capacity to perform them, Congress must assume that obligation. 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. The DOD Inspector General reported that visits to 14 units found that four units deployed with less than 80 percent of their senior enlisted warfighting positions filled. According to the report, "personnel in those units were exposed to a higher level of risk for mishap or injury during their deployment." Planned strength reductions can only exacerbate this problem.

> The Military Coalition strongly urges sustaining end strengths to meet mission requirements, and opposing force reductions that have the primary purpose of paying for other programs.

Access to Quality Housing

The Military Coalition thanks Congress and the subcommittee for this past year's provision that provides temporary housing allowance adjustments for military members affected by disasters. Additionally, the Coalition is particularly grateful for the subcommittee's multi-year effort to raise housing allowances to cover 100 percent of servicemembers' median housing costs, by grade and location. But the recent achievement of that goal doesn't satisfy all of the housing problem, especially for enlisted members. Fundamental flaws in the standards used to make those calculations remain to be corrected.

The Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel are unaware of the standards for their respective pay grade and assume that their BAH level is determined by a higher standard or by the type of housing for which they would qualify if they live on a military installation. For example, only 1 percent of the enlisted force (E–9) is eligible for BAH sufficient to pay for a 3-bedroom single-family detached house, even though thousands of more junior enlisted members 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.

In addition, we urge the subcommittee to keep close vigilance on two areas that could potentially impact military members and families, housing privatization initiatives and the end of geographic housing rate protection. The Coalition will monitor the impact of these initiatives to ensure increases to occupant costs and housing allowances are applied uniformly and that military personnel accounts remain adequate to ensure servicemembers on average have zero out of pocket costs for housing at the standard for their rank.

> The Military Coalition urges correction of military housing standards that inequitably depress BAH rates for mid to senior enlisted members by assuming their occupancy of inappropriately small quarters.

Flexible Spending Accounts

The Coalition cannot comprehend the DOD's continuing failure to implement existing statutory authority for Active-Duty and Selected Reserve members to participate in FSAs.

All other Federal employees and corporate civilian employees are able to use this authority to save thousands of dollars a year by paying out-of-pocket health care and dependent care expenses with pre-tax dollars. It is unconscionable that the Department has failed to implement this money-saving program for the military members who are bearing the entire burden of national sacrifice in the global war on terrorism.

We are grateful to the subcommittee for its report language in the NDAA for Fiscal Year 2006 that requires a Pentagon report to Congress with a plan to evaluate and implement this much-needed program.

> TMC urges the subcommittee to continue pressing the DOD until servicemembers are provided the same eligibility to participate in Flexible Spending Accounts that all other Federal employees and corporate employees enjoy.

Permanent Change of Station Reimbursement Needs

The Military Coalition is most appreciative of the significant increases in the Temporary Lodging Expense 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 NDAA for Fiscal Year 2004 to provide full replacement value for household goods lost or damaged by private carriers during government directed moves, but is concerned that the DOD has not yet implemented its "Family First" re-engineering that would allow payment under this provision. The Coalition appreciates this past year's gains and Congress' support by modifying the personal property weight allowances for senior enlisted grades (E–7, E–8, and E–9).

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

For example, PCS mileage rates still have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile—less than half the 2006 temporary duty mileage rate of 44.5 cents per mile for military members and Federal civilians. 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 privately-owned vehicle 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 spouses' career progression. The Coalition believes strongly that the Nation that requires military families to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.

> The Military Coalition supports upgrading permanent change-of-station allowances to reflect the expenses members are forced to incur in complying with government-directed relocations.

Dependent Education Needs

Quality education is an instrumental retention tool for DOD—we recruit the member, but retain the family. However, many ongoing initiatives—housing privatization, service transformation, overseas rebasing, and BRAC—will have a direct impact on the surrounding communities that provide educational programs for our military families. A positive step in the right direction is reflected by the subcommittee's efforts in the NDAA for Fiscal Year 2006 that provided increased Impact Aid funding for highly impacted school districts with significant military student enrollment.

> The Coalition urges the subcommittee to continue its priority on mitigating adverse effects of government decisions on military children's education.

Affordability of children's college education is a critical issue for military families. This is of particularly importance for members whose frequent moves cause difficulties in satisfying eligibility requirements for graduation and in-State tuition rates.

Some States, but not all, authorize in-State tuition eligibility for servicemembers assigned within the State. A smaller number allows continuation of such eligibility for already enrolled children after the member is reassigned out of the State, recognizing the difficulty of completing a degree during one military assignment. Graduation requirements also vary greatly by State-by-State. Military children or family members often must repeat course work and incur additional costs because school credits do not transfer to another State.

The Coalition urges the subcommittee to support nationwide in-State tuition eligibility for service families in the State in which the member is assigned or the member's home State of record, and continuity of in-State tuition once established for a military student.

The Coalition also urges support of a nationwide reciprocity standard to allow full transfer of school credits for graduation requirements for service and family members.

The Coalition continues to believe that it would be a powerful career retention incentive to authorize transferability of at least a portion of MGIB benefits to family members for long-serving members who agree to complete a military career.

Montgomery GI Bill

Military transformation and rising pressures on the Total Force point to the need to restructure the MGIB, which Congress intended to support military recruitment as well as transition. The Coalition notes with appreciation that Congress has 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 greater retention. Moreover, double-digit education inflation is dramatically diminishing the value of MGIB. Despite recent increases, MGIB benefits fall well short of 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 Veterans' Educational Assistance Program (VEAP) era but declined to enroll in that program (in many cases, on the advice of government education officials) have been denied a MGIB enrollment opportunity.

The Coalition urges the subcommittee's support for a 21st century MGIB, with benefit amounts indexed to the cost of a 4-year education at a public institution, and no reduction in benefits for education obtained while on Active-Duty.

GUARD AND RESERVE ISSUES

More than a half a million 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 at any time since World War II.

Guard/Reserve operational tempo has placed enormous strains on reservists, their family members, and their civilian employers that were never anticipated by the designers of Guard and Reserve personnel and compensation programs.

The Coalition fully supports the prominent role of the Guard and Reserve Forces in the national security equation. However, many Guard and Reserve members are facing increased family stresses and financial burdens under the current policy of multiple extended activations over the course of a Reserve career. Many Reserve component leaders are rightly alarmed over likely manpower losses if action is not taken to relieve pressures on Guard and Reserve troops.

The Coalition believes it is essential to substantively address critical Guard and Reserve personnel, pay, and benefits issues—along with Active-Duty manpower increases—to alleviate those pressures and help retain these qualified, trained professionals.

The Coalition greatly appreciates this subcommittee's effort to address several Guard and Reserve priorities with the NDAA for Fiscal Year 2006. Specifically, the Coalition commends the subcommittee for implementing limited income replacement authority for mobilized members and extending fee-based TRICARE eligibility to all drilling Guard and Reserve members. Still, we believe that more must be done 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 is absolutely dependent on these valuable members of our national military team to meet ongoing readiness requirements.

Guard/Reserve Health Care

The Military Coalition recognizes Congress' significant progress over the last 2 years in authorizing "TRICARE Reserve Select" coverage for all drilling Guard and Reserve members. Nevertheless, the Coalition believes strongly the new authority falls short of meeting the reasonable needs of these members and their families.

We believe the enrollment fees will prove cost-prohibitive for members who have not been mobilized since September 11, 2001, and the high fees represent an ill-advised deterrent to members we need to retain in the Reserve components. Such fees are particularly unfair for members who do not have access to other health insurance coverage.

The Coalition strongly recommends increasing subsidy levels for TRICARE coverage for drilling Guard/Reserve members not yet mobilized and having one set rate for members of the Guard and Reserve who continue to be drilling members.

The Coalition supports further strengthening rights under USERRA to permit Reserve component members to retain employer-sponsored insurance if coverage is terminated due to TRICARE benefits provided 90 days prior to mobilization.

The Coalition supports extending military dental coverage to reservists for 180 days post mobilization (during TAMP), unless the individual's dental readiness is restored to T–2 condition before demobilization.

Guard/Reserve Retirement Age

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 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 Congress to reduce the age when a Guard and Reserve member is eligible for retirement pay, particularly for those members who have experienced extended mobilizations.

Transition Assistance Services and Protections

Congressional hearings and media reports have documented that many of the half-million mobilized Guard and Reserve members have not received the transition services they and their families need to make a successful readjustment to civilian status. Needed improvements include, but are not limited to, the following:

- Funding to develop tailored Transition Assistance Program (TAP) services in the hometown area following release from Active-Duty
- Expansion of VA outreach to provide "benefits delivery at discharge" in the hometown setting
- Authority for mobilized Guard and Reserve members to file Flexible Spending Account claims with a civilian employer for a prior reporting year after return from Active-Duty
- Authority for employers and employees to contribute to 401(k) and 403(b) accounts during mobilization
- Enactment of academic protections for mobilized Guard and Reserve students, such as academic standing and refund guarantees and exemption from making Federal student loan payments during activation
- Automatic waivers on scheduled licensing/certification/promotion exams scheduled during a mobilization
- Reemployment rights protection for Guard and Reserve spouses who must suspend employment to care for children during mobilization
- Stronger credit protections under the Servicemembers Civil Relief Act

TMC urges funding of tailored 'TAP' services and enactment of stronger economic, financial, academic, health and legal protections for Guard and Reserve members and their families.

"Total Force" Montgomery GI Bill

The Nation's Active-Duty, National Guard, and Reserve Forces are operationally integrated under the Total Force policy. But educational benefits under the MGIB neither reflect that policy nor match benefits to service commitment. TMC is grateful to Congress for significant increases in Active-Duty MGIB benefits enacted prior to September 11, 2001, but little has been done since then.

For the first 15 years of the MGIB, Reserve MGIB benefits (Chapter 1606, Title 10 USC) maintained almost 50 percent parity with Active-Duty MGIB benefits. Slippage from the 50 percent level began following the September 11, 2001 attacks. Today the Guard and Reserve MGIB pays less than 29 percent of the Active-Duty program. Congress attempted to address the gap by authorizing a new MGIB program (chapter 1607, title 10 USC) for Guard and Reserve servicemembers mobilized for more than 90 days in a contingency operation. More than a year after the law was changed, the new "1607" program still has not been implemented. Further, there is no readjustment benefit for MGIB benefits earned by mobilized reservists. If the benefit is not used during the period of their Reserve service, it is lost. This is a non-benefit at best, and false advertising at worst, when members are effectively precluded from using their MGIB entitlement because of repeated mobilizations.

A "total force" MGIB program is needed to integrate all components of the MGIB under title 38, benchmark benefits to the average cost of a public college education, and provide equity of benefits for service rendered. A total force approach to the MGIB will better support Active and Reserve recruitment programs, readjustment to civilian life and administration of the program.

TMC supports the integration of all elements of the MGIB under title 38, restoring benefit rates commensurate with service performed, and a post-service eligibility period for Selected Reserve members.

Guard and 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 the global war on terrorism continues. Reserve component families live in communities throughout the Nation, and most of these communities are not close to military installations. These families face unique challenges in the absence of mobilized members, since they don't have access to traditional family support services enjoyed by Active-Duty members on military installations.

Providing a core set of family programs and benefits that meet the unique needs of these families is essential to 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:

- Web-based programs and employee assistance programs such as 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 families of individual augmentees or those who are geographically dispersed
- Expanded programs between military and community religious leaders to support servicemembers and families during all phases of deployments
- The availability of robust preventive counseling services for servicemembers and families and training so they know when to seek professional help related to their circumstances
- Enhanced education for Guard and Reserve family members about their rights and benefits
- Innovative and effective ways to meet the Guard and Reserve community's needs for occasional child care, particularly for preventive respite care, volunteering, and family readiness group meetings and drill time
- A joint family readiness program to facilitate understanding and sharing of information between all family members, no matter what the service

TMC urges Congress to continue and expand its emphasis on providing consistent funding and increased outreach to connect Guard and Reserve families with these support programs.

OVERSEAS REBASING, BASE REALIGNMENT AND CLOSURE ISSUES

Thousands military members and families will be under great stress in the months and years ahead as a result of rebasing, closure, and transformation actions. But the impact extends beyond the Active-Duty personnel currently assigned to the affected installations. The entire local community—school districts, chambers of commerce, Guard/Reserve, retirees, survivors, civil servants, and others—experiences the traumatic impact of a rebasing or closure action. Jobs are lost or transferred, installation support facilities are closed, and beneficiaries who relied on the base for support are forced to search elsewhere.

The Coalition urges the subcommittee to ensure rebasing plans are not executed without ensuring full support is available to families as long as they are present at losing installations and before they arrive at gaining installations. The critical family support/quality-of-life programs include MWR, childcare, exchanges and commissaries, housing, health care, education, family centers, and other traditional support programs.

The Coalition will actively be engaged in ensuring the implementations of the 2005 BRAC recommendations, Service transformation initiatives, global repositioning, and Army modularity initiatives not only take each beneficiary community into consideration, but also to advocate for beneficiaries significantly impacted by these initiatives.

The Military Coalition urges the subcommittee to monitor the implementation of rebasing, BRAC, and service transformation initiatives to ensure protection of support services for all military members and their families.

SURVIVOR PROGRAM ISSUES

The Coalition thanks the subcommittee for past support of improvements to the Survivor Benefit Plan (SBP), especially the NDAA for Fiscal Year 2005 provision that will phase out the SBP age-62 benefit reduction in the next 2 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 and 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, 2006.

SBP–DIC Offset

The Coalition was extremely disappointed that House and Senate conferees failed to make at least some progress in the NDAA for Fiscal Year 2006 to ease the unfair law that reduces military SBP annuities by the amount of any survivor benefits payable from the VA 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 (about $1,000 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 60,000 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 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 only a $1,000 monthly annuity from the VA. Military members whose service costs them their lives deserve fairer compensation for their surviving spouses.

The Military Coalition strongly supports legislation to repeal the SBP-DIC offset introduced by Senator Nelson (D–FL) (S. 185) and Representative Brown (R–SC) (H.R. 808), respectively. Enactment remains a top Coalition goal for 2006.

30-Year Paid-Up SBP

Congress approved a provision in the NDAA 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 2006, a 1972 retiree already will have paid 25 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 to pay 34 percent more than their 1978 counterparts.

We hope that, with only 2 years remaining before the change becomes law anyway, Congress will provide at least this last modest measure of relief to "Greatest Generation" retirees who already have paid far more than their fair share of SBP premiums.

> The Military Coalition recommends a 2-year acceleration of the implementation date for paid-up SBP coverage, so that it takes effect on October 1, 2006.

Final Retired Pay Check

The Military Coalition believes the policy requiring 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 require 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. In most cases, the latter method is used, which often imposes a sudden, severe and unexpected financial hardship on the survivor.

The Coalition believes this is an inappropriate and insensitive policy, coming at the most difficult time for a deceased member's next of kin. Unlike his or her Active-Duty counterpart, the survivor of a retiree receives no death gratuity to assist with transition expenses. Many older retirees have been able to provide little or no financial cushion for surviving spouses in the case of a sudden demise. Very often, the surviving spouse already 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 takes extended time and strains the surviving spouse's ability to meet the immediate financial obligations in the wake of the death of the average family's "bread winner."

> The Military Coalition urges Congress to allow survivors of retirees to retain the full month's retired pay for the month in which the retired member dies.

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

The Military Coalition applauds the progress the subcommittee has made in recent years to expand combat-related special compensation to all retirees with combat-related disabilities and authorize concurrent receipt of retired pay and veterans' disability compensation for retirees with disabilities of at least 50 percent.

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.

We recognized that many in Congress are looking to the Veterans Disability Benefits Commission for recommendations on this issue, and the Coalition fully expects the Commission will validate the principle that a military retiree should not forfeit any portion of earned retired pay simply because he or she also had the misfortune of incurring a service-connected disability.

But we are concerned that the recent 1-year extension of the Commission's work can only delay an equitable outcome further. In the meantime, we believe action is needed on at least two critical areas on which we believe there should be little question as to their propriety.

As a priority, the Coalition asks the subcommittee to consider those who had their careers cut short solely because they became disabled by combat, or combat-related events, and were forced into medical retirement before they could complete their careers.

Under current law, a member who is shot in the finger and retires at 20 years of service with a 10-percent combat-related disability is rightly protected against having that disability compensation from his or her earned retired pay.

But a member who is shot through the spine, becomes a quadriplegic and is forced to retire with 19 years and 11 months of service, suffers full deduction of VA disability compensation from his or her retired pay. This is grossly inequitable.

For chapter 61 (disability) retirees who have more than 20 years of service, the government recognizes that part of that retired pay is earned by service, and part of it is extra compensation for the service-incurred disability. The added amount for disability is still subject to offset by any VA disability compensation, but the service-earned portion (at 2.5 percent of pay times years of service) is protected against such offset.

The Coalition believes strongly that a member who is forced to retired short of 20 years of service because of a combat disability must be "vested" in the service-earned share of retired pay at the same 2.5 percent per year of service rate as members with 20+ years of service, as envisioned in H.R. 1366. This 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 urges the subcommittee to expand combat-related special compensation to members who were medically compelled to retire short of 20 years of service solely because of their combat-incurred disabilities, as envisioned in H.R. 1366.

The Coalition also believes the subcommittee recognizes the inequity of the current situation in which members paid as 100 percent disabled retirees by virtue of being designated by the VA as "unemployable" face significant discrimination. For purposes of combat-related special compensation, they suffer no disability offset, but those with non-combat disabilities—alone among all other 100 percent-disabled retirees—must wait many more years to see this inequity end.

In the NDAA for Fiscal Year 2006, Congress reduced their 10-year wait to 6 years, and the Coalition doesn't want to appear ungrateful for that progress. However, we are extremely disappointed and perplexed that such blatant and unwarranted discrimination may be allowed to continue for 3 more years.

> The Coalition urges the subcommittee to end the disability offset to retired pay immediately for otherwise-qualifying members rated as "unemployable" by the VA.

Former Spouse Issues

The Military Coalition recommends corrective legislation to eliminate inequities in the Uniformed Services Former Spouse Protection Act (USFSPA) that were created through years of well-intended, piecemeal legislative action initiated outside the subcommittee.

The Coalition supports 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; require DFAS to deduct SBP premiums from the uniformed services retired pay awarded to a former spouse if directed by a court order; and permit a former spouse to waive SBP coverage.

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 bare minimum, the subcommittee should approve those initiatives that have the consensus of all military and veterans' associations. 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 urges legislation to eliminate inequities in the USFSPA.

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 in recent years. The Coalition is eager to continue its 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.

Senator GRAHAM. Mr. Zerr.

STATEMENT OF EDGAR M. ZERR, NATIONAL PRESIDENT, FLEET RESERVE ASSOCIATION

Mr. ZERR. Thank you, Mr. Chairman, Senator Nelson, and Senator Dole. I appreciate the opportunity to present the FRA's recommendation on the DOD health care budget. In addition to our brief written statement, FRA fully supports the more extensive The Military Coalition (TMC) testimony.

The FRA appreciates the progress in recent years to improve pay, health care, and other benefits. We thank this distinguished subcommittee and professional staff for your great work on these enhancements. The FRA understands the challenges associated with rising health care costs but opposes drastic fee increases proposed in the defense budget.

We're at war and the FRA believes there are other cost saving options as alternatives to this plan. These include establishing TRICARE as a true second payer to other health care insurance, negotiating for retail pharmacy discounts, improving the mail order pharmacy option, and accelerating DOD and Department of Veterans' Affairs (VA) cost-sharing initiatives. The fee increases are a major concern in the retiree communities and also a morale issue within the senior enlisted ranks. Active-Duty personnel view the plan as an erosion of their promised benefits before they retire.

After 1 week, hundreds of respondents to the FRA's Web site health care survey have included comments with their surveys. One Active-Duty respondent wrote, "I'm a third generation Navy,

and after 30 years of service I'm extremely concerned about the erosion of medical and other benefits. The medical coverage was fundamental for my continued service after my initial enlistment. This, once again, is simply a break in the faith." Enlisted personnel who retired prior to major pay and benefit increases enacted since 1999 receive much less retired pay than those who have retired since.

The FRA believes that funding health care and other programs for beneficiaries is part of the cost of defending our Nation and ensuring our freedoms. Military service is also much different than working in the corporate world and the benefit packages must reflect this.

Thank you again for the opportunity to express concerns of our membership and I stand ready to answer any questions you may have.

[The prepared statement of Mr. Zerr as follows:]

PREPARED STATEMENT BY EDGAR M. ZERR

INTRODUCTION

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to present the Fleet Reserve Association's views on the fiscal year 2007 Defense Health System budget.

The Fleet Reserve Association (FRA) is a congressionally chartered, non-profit organization, representing the interests of U.S. Navy, Marine Corps, and Coast Guard personnel with regard to pay, health care, benefits, and other quality-of-life programs.

The FRA is the oldest and largest association representing enlisted members of the Sea Services whether on Active-Duty, in the Reserves, retired or veterans. In addition to its extensive legislative program, the Association sponsors annual scholarship and patriotic essay competitions, and recognition programs honoring the Navy Sailors and Recruiters of the Year, the Marine Corps Recruiters and Drill Instructors of the Year, and the Coast Guard Enlisted Persons and Recruiters of the Year.

FRA 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 enhancements represent great advancements that have significantly improved access to health care. The FRA particularly appreciates the subcommittee's outstanding measures to address the needs of standard beneficiaries as well as provide increased access for members of the Reserve components.

While much has been accomplished, the Association is equally concerned about making sure the enhancements are implemented and the desired positive effects actually achieved. FRA also believes some additional initiatives are essential to providing equitable and consistent health care for all categories of TRICARE beneficiaries, regardless of age or geography. The FRA looks forward to continuing our cooperative efforts with the members of the subcommittee and staff in pursuit of this common objective.

FRA is a founding member and active participant in the Military Coalition (TMC) and fully endorses the TMC health care testimony which has been submitted to this subcommittee.

ADEQUATELY FUNDING THE DEFENSE HEALTH PROGRAM

Once again, a top FRA priority is to work with Congress and the Department of Defense (DOD) to ensure full funding of the Defense Health Program to meet readiness needs—including 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, and Graduate Medical Education. A fully-funded health care benefit is critical to readiness and the retention of qualified uniformed services personnel.

The DOD, Congress, and FRA all have reason to be concerned about the rising cost of military health care. But it is important to recognize that the problem is a national one, not military-specific. It's also important, in these times of focusing on deficits, to keep in perspective the government's unique responsibility to provide

health care and other benefits for a military force that serves and has served under extraordinarily arduous conditions to protect and preserve our freedoms and security. Military service is also much different than work in the corporate world.

The FRA strongly recommends the subcommittee continue to ensure full funding of the Defense Health Program.

FRA OPPOSES THE TRICARE FEE INCREASES

The DOD is proposing a significant increase in fees paid by retired uniformed services beneficiaries, including doubling or tripling enrollment fees for TRICARE Prime, and tripling or quadrupling fees for TRICARE Standard, along with higher prescription co-pays. FRA believes this plan would result in a drastic increase in retiree costs, especially during a war and particularly since there have been no enrollment fee hikes since TRICARE was established in 1995. Providing and funding health care benefits for all beneficiaries is part of the cost of defending our Nation.

FRA also strongly opposes the plan to impose a $250 enrollment fee for veterans in Priority Groups 7 and 8 within the Department of Veterans' Affairs (VA) Health Care System in fiscal year 2007. The administration's request also includes a recommendation to nearly double prescription drug co-payments from $8 to $15, for a 30-day supply—a plan FRA also opposes.

According to VA estimates, 200,000 veterans would be discouraged from seeking VA health care, and more than a million veterans currently enrolled in priority groups 7 and 8 would drop out of the system if this fee structure were implemented. Beneficiaries in these priority groups are veterans, and FRA adamantly opposes shifting costs to them for care they've earned in service to our Nation.

OTHER FUNDING OPTIONS

FRA believes that the DOD has not sufficiently investigated other options to make TRICARE more cost-efficient as alternatives to shifting costs to young retirees.

A detailed list of alternatives to reducing cost is included in the TMC statement and FRA draws attention to the following:

- Promote making TRICARE a true second-payer to other health insurance. FRA questions DOD's assumptions about driving some 150,000 retirees with other health care coverage away from TRICARE, and believes there are other ways to achieve this goal to achieve significant budget savings.
- Negotiate with drug manufacturers for retail pharmacy discounts, or change the law to mandate Federal pricing for the retail pharmacy network. FRA believes this change could result in significant savings to the Defense Health System.
- Reduce/eliminate all mail-order co-pays to boost use of this lowest cost option for beneficiaries to receive prescription medications. The elimination of all co-pays will help drive many more beneficiaries to this pharmacy benefit option.
- Accelerate DOD/DVA cost sharing initiatives to ensure full implementation of seamless transition, including electronic medical records and one stop military discharge physicals.

There is confusion about the interpretation of the mandatory funding aspect of TRICARE for Life and the costs included in the DOD budget which for fiscal year 2006 totals $38 billion. Office of Management and Budget requires that TRICARE for Life trust fund allocation be included in the DOD budget, instead of the Treasury Department, which significantly increases the total DOD budget.

The proposed future fee adjustments which are pegged to health care inflation will also significantly erode the value of retired pay, particularly for enlisted retirees who retired prior to larger and targeted recent pay adjustments enacted to close the pay gap. Military service is very different from work in the corporate world and requires service in often life threatening duty commitments and the associated benefits offered in return must be commensurate with these realities.

FRA urges DOD to identify other ways to achieve budget savings without shifting costs to younger retirees and to implement policy/legislative changes to make TRICARE a second payer to other health insurance.

TROOP MORALE

The proposed health care fee increases are a morale issue within the senior enlisted Active-Duty communities who view this as reducing the value of their future retiree benefits. They are aware of the government's failures to honor past commitments and sensitive to threats to their retiree benefits.

Eroding benefits for career service can only undermine long-term retention/readiness. Today's sailors, marines, and coast-guardsmen are very conscious of Congress' actions toward those who preceded them in service. Strong support for the enactment of TRICARE for Life was based in part on the fact that inadequate retiree health care was affecting attitudes and career decisions among Active-Duty troops. Today, despite the significant progress in restoring retiree benefits arguing that funding for retiree health care and other promised benefits negatively impacts military readiness is fueling resentment and anger in retiree communities and raising concerns within the senior career enlisted force about their future benefits.

Health Care Survey Responses

There is a strong negative reaction to the proposed fee increases within the Senior Enlisted and retiree communities and to gauge our member's reaction to the plan, FRA launched a Web survey on 2 March 2006. To date, 539 have responded.

One Active-Duty survey respondee reflects these sentiments: "I am third generation Navy, and after 30 years of service, I am extremely concerned about the erosion of medical, as well as other benefits. I have a very unique historical view of how much benefits that were believed to be everlasting for both Active and retired servicemembers have been decreased or terminated. The medical coverage was fundamental for my continued service after my initial enlistment. This once again is simply a break in the faith. This philosophy needs to be suspended and the faith re-affirmed for past present and future military generations."

A retiree stated: "My spouse and I have relied on the Navy and the Military Health Care System to provide us with all our medical needs. We expect that health care to continue without monetary increase, throughout our remaining years. We both provided our country with a valuable service in the defense posture of this country. We stood ready at the call without complaint. We now expect the high quality of care that we were led to believe would be available at no cost throughout our remaining years if we used the Military Health Care System and facilities. I do not expect to absorb increasing cost for health care, when my retired pay does not increase with the cost of health care increases."

On the question of the importance of health care benefits on respondents' decisions to remain in the military, 86 percent indicated that health care influenced their decision to remain in the military as of 9 March 2006.

TRICARE STANDARD ISSUES

The TRICARE Standard option is long recognized as the entry to the DOD health care benefit per the earlier Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) Program. Provisions of the NDAA for Fiscal Year 2006 address the needs of the 3.2 million TRICARE Standard beneficiaries, many of whom find it difficult or impossible to find a Standard provider. The FRA is firmly committed to working with Congress, DOD and the Manage Care Support Contractors (MCSCs) to facilitate prompt implementation of these provisions. DOD will be required to track provider participation (including willingness to accept new patients), appoint a specific official responsible for ensuring participation is sufficient to meet beneficiary needs, recommend other actions needed to ensure the viability of the Standard program, develop an outreach program to help beneficiaries find Standard providers, educate them about the benefit, and provide problem resolution services for those experiencing access problems or other difficulties.

FRA believes one reason for provider non-participation is the lack of current information, or previous bad experience with TRICARE in areas that have subsequently seen substantial improvement. DOD is currently developing an annual newsletter for TRICARE Standard beneficiaries and FRA recommends the development of a similar newsletter to providers who have submitted claims to enhance provider education.

Physicians consistently report that TRICARE is virtually the lowest paying insurance plan in the country. While TRICARE rates are tied to Medicare rates, the MCSCs make a concerted effort to persuade providers to participate in TRICARE Prime networks at a further discounted rate. Since this is the only information providers receive about TRICARE, they see TRICARE as even lower paying than Medicare. Congress has acted to avoid Medicare physician reimbursement cuts for the last 3 years, but the failure to provide a payment increase for 2006 is another step in the wrong direction. The underlying reimbursement determination formula requires a legislative fix.

The FRA 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, and to exert what influence it can to persuade the Ways and Means/Finance Committees to reform Medicare/TRICARE statutory payment formula.

PHARMACY ISSUES

The current TRICARE Pharmacy co-pays are, Military Treatment Facility, no cost to any beneficiaries, TRICARE Mail-Order Pharmacy, generic $3, brand name $9 and non-formulary $22 (up to a 90-day supply), and TRICARE Retail Pharmacy, generic $3, brand name $9 and non-formulary $22 (up to a 30-day supply).

As noted above, FRA vigorously opposes increasing retiree cost shares that were only recently established. The restoration of retiree pharmacy benefits helped restore Active-Duty and retired members' faith that their government's promises of health care for life would be honored.

The FRA very much appreciated the efforts of the subcommittee to protect beneficiary interests by establishing a statutory requirement for a Beneficiary Advisory panel (BAP). A member of FRA's National Headquarters Staff (Bob Washington) serves on the panel which provides an opportunity for beneficiary representatives to voice concerns about any medications DOD proposes moving to the third tier ($22 co-pay). The Association was further reassured when, during implementation planning, Defense officials advised the BAP that they did not plan on moving many medications to the third tier.

Unfortunately, this has not been the case. To date, DOD has moved 28 medications to the third tier, with an additional 13 pending approval. While the BAP did not object to most of these, the BAP input has been universally ignored with regard to a small number of cases when it recommended against a proposed reclassification. In at least one instance, the medications moved to the third tier affected 98 percent of the beneficiaries with prescriptions in that particular class of drug. The FRA is also concerned that the BAP has been denied access to information on relative costs of the drugs proposed for reclassification and the Defense Department has established no mechanism to provide feedback to the BAP on rationale for ignoring its recommendations.

FRA believes the subcommittee envisioned that the BAP input would be given more serious consideration in the Department Uniform Formulary decision process, but that has not happened.

The FRA urges the subcommittee to continue to reject imposition of cost shares in military pharmacies and oppose increasing other pharmacy cost shares that were recently established.

RESERVE HEALTH CARE BENEFITS

The extension of the TRICARE Reserve Select (TRS) coverage to all member of the Selected Reserve in the NDAA for Fiscal Year 2006 is very important particularly because DOD must rely more heavily upon the Guard and Reserve personnel to prosecute the war and sustain other operational commitments. Deployments are also becoming longer and more frequent and these personnel are indispensable to our Armed Forces and their benefits should reflect this.

FRA has concerns regarding the manner by which TRS premiums are set. Currently, the Defense Department adjusts TRS premiums based on annual adjustments to the basic Federal Employees Health Benefit Plan (FEHBP) insurance option. The Association believes the Department has a higher obligation to restrain health cost increases for currently serving military members who are being asked to leave their families and lay their lives on the line for their country, and that their health premiums should be pegged to the level of the Consumer Price Index.

We believe Congress is missing an opportunity to reduce its health care costs (for retired members as well as for Selected reservists) by failing to authorize eligible members the option of electing a partial subsidy of their civilian insurance premiums in lieu of TRICARE coverage. Many members would be motivated to elect this option, especially if their family's current health care provider is reluctant to participate in TRICARE. Rather than having to find a new provider who will accept TRICARE, many beneficiaries may prefer a partial subsidy (at lower cost to DOD) to preserve the convenience and continuity of their family's health care.

FRA recommends development of a cost-effective option for DOD to subsidize premiums for member's private insurance as an alternative to TRICARE Reserve Select coverage, to ensure consistency of benefits and continuity of care for Guard and Reserve members and their families in an environment of lengthy and frequent deployments.

CONCLUSION

As previously noted, FRA strongly supports the more extensive TMC statement and urges the distinguished subcommittee's attention therein to consistent benefit access, mental health, and DOD/VA transition which is especially important to injured service personnel returning from Iraq and Afghanistan.

The Association reiterates its profound gratitude for the extraordinary progress this subcommittee has made in advancing a wide range of health care initiatives for all uniformed services personnel and their families and survivors. The FRA is eager to work with the subcommittee to further improve military health care for all beneficiaries. Thank you again for the opportunity to present the FRA' views on these critically important topics.

Senator GRAHAM. Thank you all. That was well done.

Senator Nelson?

Senator BEN NELSON. Admiral Ryan, you submitted this list of 16 suggestions about increasing efficiency within the program that would help reduce the costs. I wonder if any of the others of the panel might have a list or suggestions about improving the efficiency of the program to, once again, hold the line on cost increases or actually reduce the costs. Ms. Schmidli?

Ms. SCHMIDLI. Thank you. Our efficiencies are listed in our statement. Thank you.

Senator BEN NELSON. Admiral McCarthy?

General MCCARTHY. Senator Nelson, we commented specifically on the gains that we believe could be made in the pharmacy area and we certainly concur with that.

Senator BEN NELSON. Admiral Ryan, you've already submitted yours. Mr. Zerr, do you have any particular thoughts?

Mr. ZERR. We support the list that's in The Military Coalition statement.

Senator BEN NELSON. Thank you. There's one nuance in the program that treats medically retired personnel and their families maybe inequitably. On the one hand, personnel who have been wounded in action will likely require costly medical attention throughout the course of their lives. On the other hand, these same personnel suffer their injuries through selfless service to the Nation and we owe them and their families an even greater level of care, yet the increased fees apply to those who are wounded in action to the same degree that they apply to all retirees. Should there be a different enrollment fee and deductibles for military personnel who are medically retired because of injuries versus those who retired from conditions not related to combat? That is somewhat of a loaded question, but I'm eager to get your answers.

Admiral Ryan, do you have any thoughts?

Admiral RYAN. Senator, it's a very good point. I think that's why some of the other panelists, in prior discussions that we had with Senator Graham and Dr. Chu, I thought NMFA elegantly stated why the three-tier system is not appropriate. Even officers, with folks that are medically retired, or even a widow that would come under this three-tier system and be listed as an officer, yet their income is a lot less.

So the tiered system, I think, is one thing that should be different and certainly anything that impacts folks that have been retired with a disability, I think they have been frequently left behind, particularly those that don't earn a full retirement. We would have to look at that very carefully.

Senator BEN NELSON. Mr. Zerr, do you have any particular thoughts?

Mr. ZERR. Senator, the FRA believes that the enlisted personnel have served a career with great sacrifice and low pay and with the promise of being taken care of for their sacrifice. This is the reason we adamantly oppose an increase in fees.

Senator BEN NELSON. Ms. Schmidli?

Ms. SCHMIDLI. Yes, thank you. To support wounded and injured servicemembers and their families, NMFA recommends that Congress extend the 3-year survivor health care benefit to servicemembers who are medically retired and their families, and direct DOD to establish a family assistance center at every MTF caring for wounded and servicemembers.

Senator BEN NELSON. Those are my questions, Mr. Chairman, thank you.

Senator GRAHAM. Thank you all. Thank you, Senator Nelson. I thought we had a really good meeting a couple of weeks ago. I got a lot out of it. To give you some kind of overview of my thinking on this—I'll ask some specific questions here in a moment, and try to establish a baseline.

Number one, the idea that this is a commercial transaction is not what I'm about. I don't consider our analysis here as to whether or not this is a viable commercial benefit. We're not talking about this in terms of working for a company, we're talking about serving your country. I consider it part of an overall national security program that we're trying to develop for the 21st century. Within that program you have several things you have to worry about. Recruiting and retention are of great concern to me, as they are to you, treating those who have gone before well, and having a sustainable program.

Erosion of benefits is coming. The question is, will it come in a way that people can afford, and will we have a soft landing or will we have a hard landing? Because the growth in the health care budget in the DOD is exponential, according to them, the idea of having a third person look at it sounds pretty good to me. I'll sit down with Senator Nelson and see if we can get an independent third view on this.

Four hundred people have told me Social Security is going broke—I just can't find anybody in Congress that believes it. When you ask the American Association of Retired Persons (AARP), they don't really believe it either, but I do. I'll just give you that as an example. I think it would be really good to have someone independent look at the actual nature of medical costs.

Second, I think your suggestions about how to reform and bring efficiency about need to be a source of serious debate, a give and take with the DOD. I will suggest that Senator Nelson and I host another conference focusing on your list of suggestions on how to improve care and make the system more efficient. Every dollar you can save is one less dollar we have to worry about coming out of the operational budget or coming out of your pocket. I'm a big believer of cleaning up your act before you ask for more. We'll see what we can do there.

The last thing is sustainability. I just turned 50 and I'm feeling it every day, but I've come to this conclusion: why should I ask

someone coming after me to do something I'm unwilling to do on my watch? That includes Social Security, Medicare, military health care benefits—you name it. Our Nation has neglected many problems to the point that now they're consuming our budget. Fifty-three percent of the Federal budget is some form of entitlement. This is legally not an entitlement, but you have a right and every expectation to be treated fairly and honestly. The tie goes to the servicemember. As a Nation, we have to make some hard choices.

I want to throw some numbers out and get everyone to respond to the numbers, if they can, just to see if we can define the problem. Do you agree with the idea that the military member, before TRICARE came along, was paying 27 percent of their health care cost and now they're paying 12 percent? Does anybody disagree with that? I've been told that. I don't know if it's true or not.

General MCCARTHY. Sir, I'd take that on in the sense that I don't have, and I don't think very many of us have, the ability to really independently verify that. To me, those are some of the central questions—was it really 27 percent at the outset, was that the intent of Congress, and 27 percent of what? Until we really get our arms around that, I'm worried about the numbers.

Senator GRAHAM. I want to get my arms around the numbers—but the concept of post-1995, that the military health care budget has increased because the amount of out of pocket has decreased and see if that dynamic is real.

I guess we'd have the same answer. Do you believe that the military health care budget is now $38 billion and 10 years ago it was 4 percent of the budget, and today it's 8 percent. Does anybody disagree with that?

Admiral RYAN. Mr. Chairman, I think the bottom line on these questions about percentages—statistics—are kind of like bricks: you can use them to build a foundation or break a plate glass window.

Senator GRAHAM. Right.

Admiral RYAN. We don't think there's enough granularity in their arguments, enough openness in what they're talking about when they compare a system in 1995 that was CHAMPUS to a system in 2005 that is TRICARE when they don't talk about the number of beneficiaries that have come into the system. That level of trust is not there on the openness of the DOD to explain how they got these numbers. We can't talk to our members or educate our members when we don't have trust in the granularity of their arguments.

Senator GRAHAM. What we're going to have to do is establish that trust and it'd be a great exercise because I'm pretty sure the numbers—$38 billion in last year's budget, right? There's not much debate about the number $38 billion and——

Admiral RYAN. Well, it depends, sir, on what you counted in 1995 versus what you count as the money.

Senator GRAHAM. Fair enough.

Admiral RYAN. The other thing I would say in the costs that cause a lot of hardships and heartache with our members is when DOD talks about premiums and costs, they neglect to talk about the premiums paid upfront by all of these folks have testified to, in service. They say we're going to catch up, and we're going to

norm these numbers. So they devalue the upfront premiums that, as you said, civilians don't pay.

Senator GRAHAM. I'm not going to devalue it, because it's real. It's not a commercial transaction, but I'm not going to sit here and tell you that I believe the Federal Government has promised every military retiree free health care, they don't have to pay a nickel for the rest of your life. There's two competing concepts here and, to me, the middle ground is the answer. This is not a commercial business transaction, for me, and I don't think it is for Senator Nelson. It's a sustainable program that will help recruiting, retention, and not unfairly compete with operational needs of the budgets to come, to win the wars to come.

Do you all agree that retirement pay has increased about 32 percent over the last decade?

Mr. ZERR. Senator, we don't have the data to dispute that.

Senator GRAHAM. Do you all agree that they're asking for a 115-percent increase in premiums?

Admiral RYAN. Somewhere between 100 and 300.

Senator GRAHAM. I figured you might agree with that one. That's obviously something that I don't think's going to happen over a 2-year period. I threw out these numbers because that's what we're going to be working off here. Since 1995 there's been no premium increases in TRICARE Prime, is that correct? I'm trying to establish a baseline of what the real facts are in terms of operational pressure, what we can save through efficiency and reform, and disease management, best business practices. We're going to have a real serious discussion about how to extract savings, then we're going to turn to the groups and we're going to ask what's a fair way to manage this program not from commercial benefit comparisons, but from sustainability in terms of what's fair for the retired force and what's fair for those who are fighting the wars of the present and the future.

I appreciate the comments you have all given to the subcommittee and I will end with this thought. I am convinced that adjustments need to be made across the board and if we don't do it now, it will be unbelievably difficult in the future. It's just not fair to those who are going to serve in the future and those retirees now, to have it fall on them all at once. Final plea: let's just work together.

Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman. Let me suggest that the idea of a study makes a great deal of sense. I think we need to know the statistics here so we know what the percentages are to begin with. Then I think it's probably important to do some sort of an actuarial review of what the experience is so that we know what the base of losses are in terms of what is being calculated, so we know what we're dealing with. If we can get that kind of a study, I think we can satisfy ourselves that we're at least working with the base numbers to begin with.

The second thing is your suggestions about how to adjust increases make a great deal of sense. I think we have to see what those translate to in terms of dollars, but stair-stepping increases is almost always better than a cliff-drop when you see it drop after 10 years. The suddenness of this, as well as the size of it, is enough

to significantly impact retirement planning, and benefits, in reality of people being on retired income. We have to have a better way of dealing with any kind of cost increases or, if we should get so lucky with efficiencies, to have cost decreases, and that it's adequately reflected in real time over a period of time, rather than all at once with the suddenness that we've experienced at this time. I'm looking forward to working with all of you and with my colleagues to affect that kind of a study and get more information before any kind of decision is made.

Senator GRAHAM. I'll just bootstrap on what he said and open it up for any final comments here. Before you would ask for fee increases, you would want to go down the list of efficiencies and reforms first. I'm not so sure we've done that in a collaborative fashion, but we will, I promise you. Get some idea of what the real needs are after you scrub the system in a very serious manner. Then the next approach would be, if their fee increase is necessary, how do you fairly implement them without degrading retention and recruiting and overly burdening the retired force and making the program sustainable?

Would you give us some names of independent groups that you would like to review the numbers? I would like your view of who would be an independent group to come in and look at all these budget numbers and see what's apples to apples and what's oranges to oranges.

Any final comments?

General MCCARTHY. Mr. Chairman, we mentioned in our written statement that we thought that the Government Accountability Office (GAO) could be the group that does a study or review. I'm sure there are others, but that was our suggestion.

Senator GRAHAM. Is that a consensus suggestion?

Admiral RYAN. My government relations team has a lot of faith in the Congressional Research Service.

Ms. SCHMIDLI. We would also agree with looking at the GAO.

Senator GRAHAM. Two to one. Well, anyway, bottom line is that you're very open-minded about having someone within Congress looking at it. That's probably a good idea.

Any other ideas?

Ms. SCHMIDLI. I would like to encourage you to look over NMFA's statement, because I believe they have addressed some of your thoughts and issues and laid out good proposals. Again, I thank you for this opportunity.

Senator GRAHAM. What we haven't done is gotten everybody in a room and gone over efficiencies. I want the DOD and all of you in a room, and I want the proposals out on the table so we can go through them, literally, one by one, and you can tell us why you can do that and why you can't do that. At the end of the day we'll have gone through the list and I hope you'll have some confidence that people like me and Senator Nelson want to make sure that fee increases, if they're to come, are looked at first.

Admiral RYAN. Mr. Chairman and Senator Nelson, I want to thank you both for your leadership in taking this kind of time to look at this subject. It truly is important. I think as the months go on, it's going to become even more important because the risk to the All-Volunteer Force in this prolonged war is something that

I do not believe the Defense Department has been articulate enough about the risks that we're incurring. Anything that sends this in the wrong direction would be critical to it. The fact that you've taken this amount of time to look at this subject that's so important to every segment of the military community sends a very encouraging signal to us in The Military Coalition.

Senator GRAHAM. I think it's the most important thing I'll do in my first term. If we don't get it done by my first term we've missed the window. I have 3 more years left, so that gives you the time frame, all right?

Mr. ZERR. I'd like to thank the chairman for his service and for taking the time to hear our statements. Thank you also, Senator Nelson.

Senator GRAHAM. Anything else? This hearing is to be continued. We'll set up the next meeting to look at the efficiencies and reforms not only to save money but to improve service. The thing about TRICARE Prime that I think people like is that they're getting more services for their money and I want to continue down that road.

At this point in time, I'd like to ask that the prepared statement of Richard M. Dean, Executive Director of the Air Force Sergeants Association, be submitted for the record.

[The prepared statement of Mr. Dean follows:]

PREPARED STATEMENT BY CMSGT (RET.) RICHARD M. DEAN

Mr. Chairman and distinguished subcommittee members, on behalf of the 130,000 members of the Air Force Sergeants Association (AFSA), thank you for this opportunity to offer the views of our members on the fiscal year 2007 priorities of the Department of Defense (DOD). This hearing will address issues critical to those serving and who have served our Nation. AFSA represents Active-Duty, Guard, Reserve, retired, and veteran enlisted Air Force members and their families. Your continuing efforts toward improving the quality of their lives has made a real difference, and our members are grateful. In this statement, I will list several specific goals that we hope this committee will pursue for fiscal year 2007 on behalf of current and past enlisted members and their families. The content of this statement reflects the views of our members as they have communicated them to us. As always, we are prepared to present more details and to discuss these issues with your staffs.

HEALTH CARE ISSUES

Defense Health Program Funding

AFSA urges the subcommittee to ensure continued full funding for Defense Health Program needs. AFSA maintains that this nation can afford to and must be dedicated to funding the weapons systems and the military health care system. We strongly recommend against DOD's desire to establish an annual enrollment fee for TRICARE Standard. We urge the subcommittee to require DOD to pursue greater' efforts to improve TRICARE and find more effective and appropriate ways to make TRICARE more cost-efficient without seeking to shift the burden to those who have already paid a great price for their retirement health care benefits. Additionally, the DOD plan is based upon questionable assumptions of prospective changes in human behavior-a dangerous way to steer a fiscal course. Furthermore, if the assumptions upon which the DOD TRICARE plan is based are incorrect, military beneficiaries would likely face an ever-increasing cost for benefits they already paid for by facing unlimited liability for an entire career. We can tell you that when DOD broadcast that it can save retiree health care dollars by driving hundreds of thousands of retirees away from TRICARE, many heads were shaking in incredulity and disgust.

Morale, Retention, and Recruiting is On the Line.

AFSA representatives often visit Air Force bases. Since DOD's plans were "leaked" in November, then formally proposed coincident with the President's budget, we have witnessed an ever-growing furor among the currently serving members

of the military. Frankly, those who are already career committed are disgusted and extremely upset about DOD's plans. The health care benefit is particularly important for enlisted (noncommissioned) retirees who generally have less education, lower retirement pay, and are more dependent on the value of their retirement benefit-particularly health care. The DOD TRICARE Plans have just let those who are already career-committed know that the value of their earned retirement will be dealt a severe blow if DOD has its way. Those who are at the mid-career point and making the very important reenlistment decision (the one that will lead to a career) are reassessing their plans. The feeling of many is that if DOD can make such a draconian change for those currently serving, there is no reason to believe that DOD will not assault other retirement benefits. Of course the lower-ranking soldiers, sailors, airmen, and marines see how their bosses are being treated, decreasing the probability that they will make the military a career. Finally, we anticipate a definite recruiting impact should the DOD plans be approved. It has been said that easily half of those who enter the military came from military families. That being the case, one can only imagine what advice the moms and dads will give their kids about serving in the military for a company that cannot be trusted and does not advocate in their best interests.

Promoting TRICARE Standard Providers

One of the great problems with TRICARE itself is that many doctors refuse to participate because it is not worth their while. AFSA urges this subcommittee to require DOD to eliminate TRICARE-unique administrative requirements that deter provider participation and thus contribute to denying beneficiaries access to care. Further, DOD should be instructed to launch a vigorous education outreach effort for providers who will not see TRICARE patients, highlighting specific improvements in claims/payment processing timeliness. Finally, it is extremely important that reimbursement rates for providers be increased to encourage provider participation.

Range of Covered Services

We urge the subcommittee to align TRICARE coverage to at least match that offered by Medicare in every area. The current system is confusing and very limiting for beneficiaries. Both Medicare and TRICARE are government health care programs, and it makes sense that both programs offer identical covered services.

Pharmacy Copayments

AFSA asks the subcommittee to prevent DOD plans to once again change the copayment rates for prescriptions until all medications are available in the mail order program and limiting any future pharmacy copayment increases to the lesser of the percentage increase in basic payor retired pay, rounded down to the next lower dollar. The coalition recommends eliminating beneficiary copayments in the mail-order pharmacy system for generic and brand name medications to incentivize use of this lowest-cost option and to generate substantial cost savings.

Oldest Retirees

Without question, for decades military career counselors enticed members into staying in the military by promising certain career benefits. DOD maintains that such promises were invalid and nobody was authorized to make these promises. One promise was free, lifetime health care for the retiree and spouse. While those promises were made and, subsequently unfulfilled, Congress' passage of TRICARE for Life in the National Defense Authorization Act (NDAA) for Fiscal Year 2001 was a major boon to military retirees, especially for the noncommissioned members we represent. However, as evidenced in Colonel Bud Day's lawsuit on the retiree health care promise, the courts agreed that while such promises were no doubt made, it would be up to Congress to remedy the situation. While not under the purview of this committee, AFSA supports the provisions of S. 407 and H.R. 602 which would exempt those retirees who entered military service prior to December 7, 1956, from having to pay Medicare Part B.

Health Care Options

An alternative way for DOD to reduce its health care mission expenses would be for Congress to open up the Federal Employees Health Benefits Plan coverage to military retirees. If this is done, however, in order to protect the earned military career benefit, military retirees and their families should be required to pay no more than they would for TRICARE.

Dental Care Support

AFSA asks this committee to take a serious look at the dental care program for military members and their families. Some members report that the reimbursement rates for providers are not adjusted to the various regions. That being the case, dentists avoid participation in the program. The situation in Alaska, in particular, has been brought to our attention; however, the situation needs to be examined across the board to determine where there are inadequate providers to support the families of military members and the retirees in each region.

Optometry Benefit for Retirees

The earned career military benefit does not include a funded retiree optometry benefit. This is certainly fundamental to the health and well-being of those who have served, and AFSA requests this subcommittee's consideration toward directing the implementation of such a benefit.

EDUCATION ISSUES

A Montgomery G.I. Bill Enrollment Opportunity for Veterans Educational Assistance Program-Era Military Members. The education program for military members that preceded the Montgomery G.I. Bill (MGIB) was the Veterans Educational Assistance Program (VEAP). This was a program where you put in up to $2,700 and the government matched the amount you used for education on a two-for-one basis. The maximum government contribution was $5,400. Hundreds of thousands of military members declined enrollment in that program due to very poor educational counseling. Many tell us they were advised by education officials not to enroll in the VEAP since a better program was coming along. Unfortunately, when the MGIB came along, those who didn't enroll in the VEAP were not allowed to enroll in the far-more-beneficial MGIB. DOD estimates last year indicated that there are still serving between 50,000 and 70,000 servicemembers who declined enrollment in VEAP. S. 2091, sponsored by Senator Tim Johnson would correct this unfortunate situation. These members served since the mid 1980s, helped preserve peace, and deserve an opportunity to enroll in the MGIB program. AFSA urges the subcommittee to provide that opportunity.

Correct MGIB Enrollment Procedures

At basic military training or boot camp, new servicemembers must make a decision. If they want to enroll in the MGIB, they must agree to have $100 per month deducted from their pay for each of their first 12 months of military service. This is twice as difficult for noncommissioned members because they make roughly half the pay of a newly commissioned officer. We urge the subcommittee to either eliminate the $1,200 user fee or allow enlisted members to make the payments over a 24-month period.

Standardize the MGIB for all Enrollees

Realizing the far-more-beneficial aspects of the MGIB, in recent years, Congress gave those who were once enrolled the VEAP an MGIB enrollment opportunity. Unfortunately, these former VEAPers were excluded from one aspect of MGIB enrollment: the ability to pay more to get more educational coverage. We urge the subcommittee to extend the "buy up" option to all MGIB enrollees.

Allow Transferability of MGIB Benefits to Family Members

AFSA believes the MGIB benefit is earned, and military members ought to also be able to share the benefit with their family members, if they chose to do so. It would certainly serve to improve the quality of the lives of noncommissioned families. Transferability could be offered as a career incentive, should the subcommittee choose to act on this. For example, transferability could become an aspect of the program for all enrollees after they complete 12 or 13 years in service.

Full Impact Aid Funding

Impact Aid is supplemental funding provided to local school districts to compensate for the impact of having military members in that community. Local schools are primarily funded through property taxes. Those military members who reside on base do not pay into the property tax base. Recognizing this, each year Congress has provided supplemental dollars to such school districts. This funding is critical to quality education and the protection of the finances of military families; AFSA urges the subcommittee to continue the great work it has done on this front in recent years.

In-State Tuition Rates for Military Members

Military members are relocated from one military reservation to another at the pleasure of the government. Of course, servicemembers serve the entire Nation, and every State benefits from their service. We urge the subcommittee to do what it can to urge States to provide immediate in-State tuition rates at State colleges and universities as soon as military members and their families are relocated into that State. This should apply to the military members, their spouses, and their children.

COMPENSATION AND PERMANENT-CHANGE-OF-STATION (PCS) ISSUES

Senior Noncommissioned Officer Pay Targeting

AFSA urges the subcommittee to consider further pay targeting toward the senior noncommissioned ranks. These members are critical to the success of the military mission, and their roles and responsibilities have increased significantly in recent years. It is no exaggeration to state the many jobs formerly handled by commissioned officers are now handled by senior enlisted members. As such, it is important for the subcommittee to take a critical look at the military pay charts and increase the pay levels of senior noncommissioned officers (NCOs).

Standard Reenlistment Bonus

Each time military members reenlist, they commit to subjecting themselves to unlimited liability—putting their lives at risk, if need be, to defend the interests of this Nation. As all men and women, these people are choosing to devote a significant portion of their days on Earth to freedom. The current reenlistment bonus structure is strictly a force manipulation mechanism to adequately man hard-to- fill jobs. AFSA urges the subcommittee to consider a standard reenlistment bonus each time a military member extends their military commitment.

Reform the Basic Allowance for Housing System

DOD's current Basic Allowance for Housing (BAH) methodology is absolutely unfair to enlisted members. Those in the lower ranks are assigned a square-footage standard (regardless of their family status) which is used to determine what local properties are included in a housing survey to determine the various levels of BAR paid. The surveyed properties for lower-ranking servicemembers, therefore, are very small apartments—generally the type that do not appreciate in value at the same rate as the properties surveyed for higher-ranking military members. Therefore, as each new survey is conducted, those receiving the highest levels receive even greater amounts, while the lower ranking members do not see such appreciation and BAH increases. The BAR system was certainly designed to support the quality-of-life of those holding the highest ranks in our military. We are not talking about military pay, but rather the well-being of enlisted members. Therefore, AFSA urges the subcommittee to take a serious look at reforming the BAR system to protect the well-being of noncommissioned military members.

Tax Exemption for Health Care and Child Care Fees

Although not under the purview of this subcommittee AFSA urges that you act to influence the applicable committees to enact the required legislation to provide a tax exemption for fees, copayments; and deductibles military members pay for TRICARE Prime, TRICARE Standard, the Active-Duty and retiree dental plans, and long-term care. Additionally, the fees paid for child care (which is so critical to military members) should also be tax exempt. These changes would, in part, put military members in the same status as nonmilitary Federal employees.

Increased Household Good Weight Allowances for Senior NCOs during Moves

AFSA thanks this subcommittee for the modest increase in household goods (HHG) weight allowances for senior NCOs. However, we urge that you increase these allowances even further. Currently, the highest ranking enlisted members (E–9s) who are generally career-committed and have served the Nation for over two decades are afforded approximately the same HHO weight allowances as a commissioned officer who has served only 4 years. An E–7, probably at the average career point of 15 years, is given roughly the same HHG weight allowance as an O–1, just entering military service. HHG weight allowances should have some relation to average time in service, family size, probably accumulation of goods as a family grows, etc. It certainly should not be significantly different for commissioned and enlisted members. We believe the ethical, common-sense, way to provide this allowance would be parallel increases between the commissioned and enlisted rank charts with an E–1 and O–1 receiving the same HHG Weight Allowance, an E–2 receiving the same allowance as an O–2, etc. Again, this is not a pay issue; it is a plea to this

subcommittee to put some sanity into the assigning of HHG weight allowances during PCS moves.

GUARD AND RESERVE ISSUES

Age-55 Retirement

What has been true for years has become particularly evident in recent years—that members of the Guard and Reserve are full players in the defense of this Nation. Yet they are the only Federal employees that have to wait until age-60 to enjoy their retirement benefits. As it is, their retirement pay is a fraction of that received by retired Active-Duty members. Guard and Reserve retirement is based on an accumulation of service points. AFSA believes the right thing to do for the members of the Guard and Reserve is for this subcommittee to act to change the law and allow these members the receipt of their retirement pay at age-55.

Health Care

In recent years, this subcommittee has made great strides in address the Guard and Reserve health care situation. We urge that you continue along this path and provide a robust plan by expanding the current provisions and decreasing the fees for TRICARE Reserve Select.

Tax Credits for Employers

AFSA urges this subcommittee to influence the applicable committees that deal with taxation to provide tax credits to those who employ members of the Guard and Reserve. Also, such credits should be extended to self-employed citizens who serve in the Guard and Reserve. The impact of such service, and the willingness of employers to patriotically support the military duty of their employees should be rewarded.

Change the Above-the-Line Deduction for Overnight Travel Expenses of Guard and Reserve Members

Restoration of full tax-deductibility of non-reimbursable expenses related to military training was addressed in the NDAA for Fiscal Year 2004 by setting the reimbursable travel distance at 100 miles. As other government agencies use 50 miles for travel compensation, AFSA believes that title 10 should be reworded so that "the deductions allowed . . . for any period during which such individual is more than 50 miles away from home in connection with such services." AFSA urges the subcommittee to enact or move to influence this change during this Congress.

RETIREMENT/VETERAN/SURVIVOR ISSUES

Seamless DOD–Veterans' Administration Transition

AFSA urges the subcommittee to continue to examine common use of medical records between DOD and the Veterans Administration (VA), and to support other aspects of the transition from military service to veteran status. You have made great strides in recent years, and AFSA appreciates them. The issue of a commonsense transition from one status to the other, and the funding of programs to support it, has become even more critical during the time of the global war on terrorism. AFSA offers the subcommittee its support of your important efforts in this regard.

Concurrent Retirement and Disability Pay and Combat-Related Special Compensation

This subcommittee has made progress on this matter in each of the last 5 or 6 years, and AFSA urges that it continue. We ask that you act to immediately provide full Concurrent Retirement and Disability Pay (CRDP) to those rated by the VA at 100 percent disabled due to unemployability. Also, we ask that you support Combat-Related Special Compensation (CRSC) for those Chapter 61 retirees (medically retired) who, through no fault of their own, were unable to complete 20 years of service. We recommend that you tie any such change to those with the highest disability ratings rather than years of service. This would most effectively address those with the most serious disabilities and help to serve those fighting in the current actions in Iraq and Afghanistan.

Make the Survivor Benefit Plan Paid-up Feature Immediate for Those Who are age 70 and Have Been Enrolled in Survivor Benefit Plan for at Least 30 years

This subcommittee acted on this several years ago by making this paid up feature effective in 2008. Some of these retirees have now been paying into Survivor Benefit Plan (SBP) for many more years than 30. We urge the subcommittee to implement the paid-up provision effective October 1, 2006.

Eliminate the SBP—Dependency and Indemnity Compensation Offset

Currently, survivors receiving Dependency and Indemnity Compensation (DIC) from the VA see a dollar-for-dollar reduction in their SBP payments (provided by DOD). Similar to the CRDP issue, this is a matter that we hope the subcommittee can address this year.

Allow DIC Survivors to Remarry after age 55 Without Losing their DIC Entitlement

Congress provided some relief to these survivors for setting the remarriage age without losing DIC entitlement at 57. To parallel other Federal programs, we urge the subcommittee to change the allowable remarriage age for these survivors at 55.

Repeal or Greatly Modify the Uniformed Services Former Spouses Protection Act

AFSA urges this subcommittee to support some fairness provisions for the Uniformed Services Former Spouses Protection Act (USFSPA)—P.L. 97–252. While this law was passed with good intentions in the mid-1980s, the demographics of military service and their families have changed. As a result, military members are now the only U.S. citizens who are put at a significant disadvantage in divorce proceedings. Because of the USFSPA, the following situations now exist:

1. A military member is subject to giving part of his/her military retirement pay (for the rest of his/her life) to anyone who was married to him/her during the military career regardless of the duration of the marriage.
2. The divorce retirement pay separation is based on the military member's retirement pay—not what the member's pay was at the time of divorce (often many years later).
3. A military retiree can be paying this "award" to multiple former spouses.
4. It takes a military member 20 years to earn a retirement; it takes a former spouse only having been married to the member (for any duration, no matter how brief) to get a portion of the member's retirement pay.
5. Under this law, in practice judges award part of the member's retirement pay regardless of fault or circumstances.
6. There is no statute of limitations on this law; i.e., unless the original divorce decree explicitly waived separation of future retirement earnings, a former spouse who the military member has not seen for many years can have the original divorce decree amended and "highjack" part of the military member's retirement pay.
7. The former spouse's "award" does not terminate upon remarriage of the former spouse.
8. The "award" to a former spouse under this law is above and beyond child support and alimony.
9. The law is unfair, illogical, and inconsistent. The member's military retired pay which the government refers to as "deferred compensation" is, under this law, treated as property rather than compensation. Additionally, the law is applied inconsistently from State to State.
10. In most cases, the military retiree has no claim to part of the former spouse's retirement pay.
11. Of all U.S. citizens, it is unconscionable that military members who put their lives on the line are uniquely subjected to such an unfair and discriminatory law.
12. While there may be unique cases (which can be dealt with by the court on a case-by-case basis) where a long-term, very supported former spouse is the victim, in the vast majority of the cases we are talking about divorces that arise which are the fault of either or both parties—at least half of the time not the military member. In fact, with the current levels of military deployments, more and more military members are receiving "Dear John" and "Dear Jane" letters while they serve.
13. This is not a male-vs-female issue. More and more female military members are falling victim to this law. These are just a few of the inequities of this law. We believe this law needs to be repealed or, at the least, greatly modified to be more fair to military members. We urge the subcommittee to take action on this unfair law—for the benefit of those men and women who are currently defending the interests of this nation and its freedom.

Mr. Chairman and subcommittee members, we appreciate your contribution to the quality of the lives of those serving and who devoted their lives to military careers. We thank you for this opportunity to present the views of this association and ask that you seriously consider enacting some of the changes detailed in this statement.

Senator GRAHAM. God bless. Thank you for coming. We are adjourned.

[Whereupon at 3:15 p.m., the subcommittee adjourned].

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2007

THURSDAY, MARCH 30, 2006

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

RESERVE COMPONENT PERSONNEL POLICIES

The subcommittee met, pursuant to notice, at 2:00 p.m. in room SD–106, Dirksen 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; Diana G. Tabler, professional staff member; and Richard F. Walsh, counsel.

Minority staff members present: Jonathan D. Clark, minority counsel; Gabriella Eisen, research assistant; and Gerald J. Leeling, minority counsel.

Staff assistants present: Benjamin L. Rubin, Jill L. Simodejka, and Pendred K. Wilson.

Committee members' assistants present: Christopher J. Paul, assistant to Senator McCain; Mackenzie M. Eaglen, assistant to Senator Collins; Clyde A. Taylor IV, assistant to Senator Chambliss; Meredith Beck, assistant to Senator Graham; and Eric Pierce, assistant to Senator Ben Nelson.

OPENING STATEMENT OF SENATOR LINDSEY O. GRAHAM, CHAIRMAN

Senator GRAHAM. The committee will come to order. I apologize for being late. I apologize to Senator Nelson. I got held up, but we'll get the show on the road here.

Good afternoon. The subcommittee meets today to receive testimony on Reserve component personnel policies and in review of the National Defense Authorization Request for Fiscal Year 2007.

We're now more than 4 years beyond the terrorist attacks of September 11, and our Guard and Reserve have been on a wartime footing for a period that is already longer than the period between Pearl Harbor and V–J Day in World War II. To those men and

women in the Guard and Reserves, you could not have done better. You've given more than you've ever been asked to give. We all appreciate it.

This is truly a long war. We're witnessing a historic time and a fundamental change in the way we think and use the Guard and Reserve.

In terms of an overview of today's hearing, here are some of the issues before our subcommittee.

Many of our Guard and Reserve units, and certainly individuals with highly sought after skills in civil affairs, military police (MPs), intelligence, translators, communications, combat engineers, logistics, and C–130 crews, have deployed in support of operations in Afghanistan and Iraq multiple times. The Department of Defense's (DOD) policy is not to involuntarily recall members of the Guard and Reserve for more than 24 months, cumulative. We would like to hear about the health of the Guard and Reserve under these strains and your ability to recruit and retain America's young men and women. How can we sustain our commitments and the rotation plan that will allow our Guard and Reserve to continue to play a major role in this long war?

I must also say that I was surprised, along with Senator Nelson, by the recommendations of the Quadrennial Defense Review (QDR), the first undertaken during an ongoing war that is being fought with an All-Volunteer Force, that recommended major force-structure reductions in the Reserve components of both the Army and the Air Force. The QDR recommends cuts of 17,000 in the National Guard, and 5,000 in the Army Reserve. The QDR also recommends cuts of 40,000 full-time equivalents across the total Air Force, which translates to about 22,000 people cut from the Air National Guard and Air Force Reserves across the Future Years Defense Plan (FYDP).

I would like for you to comment on this rationale, as you understand it. For those cuts to come at this time, when the Guard and Reserve has never been asked to do more, not only in war, but also in homeland defense, homeland security, and disaster response, I'm dying to hear your thoughts about that.

I would also like to know what you're hearing about the new health care benefits for all members of the Guard and Selected Reserve. I really want to know about that, since we helped create it. How are we going to get the word out? Do people know the benefit exists? What effect is the benefit having among those who do know?

I welcome our witnesses, beginning with our first panel, Secretary Tom Hall. Thank you for your dedicated service and for being here today, Mr. Secretary. We look forward to your testimony. I also welcome, as a member of our first panel, the Chief of the National Guard, Lieutenant General Steve Blum. You have been standing duty in tough, but exciting, times. Thank you both for your service and your testimony here today.

The second panel we'll get to, just as soon as we're done with the first.

So, without further ado, Senator Nelson?

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Thank you, Mr. Chairman. I want to thank you for holding this very important hearing today. I join you in welcoming our witnesses, the civilian military leadership responsible for our Guard and Reserve Forces.

I understand that two of our witnesses from the second panel, General Helmly and General James, will both be leaving their positions in the very near future. General Helmly will go to a new assignment overseas, and General James will retire. I'd like to take this opportunity to publicly thank them for their service to the Army Reserve and the Air National Guard, and for their candid testimony to this committee over the years. These have been trying times for our leaders of our Reserve components, and these officers have met the challenge.

General Helmly and General James, I thank you for your service, and I wish you the best of luck in your new endeavors.

Mr. Chairman, our Guard and Reserve Forces have responded magnificently in answering our Nation's call to service, despite some significant challenges. At one point, they constituted 46 percent of our troops in combat theaters. Most of our Reserve component personnel volunteered for service in the National Guard or Reserves with the understanding that they were joining a military force that would serve as a strategic reserve to be called upon only during a major war, when our Active Forces needed additional support and reinforcement. Over the last decade, as our Active-Duty Forces were downsized significantly, our Reserve component forces have gradually become part of the operational force, picking up many missions that Active Force was no longer able to accomplish. As a result, Reserve component personnel have been called upon for military service far more frequently than anyone ever anticipated.

While we were mobilizing our Reserve components at an unanticipated rate, the DOD did not have the systems in place to support this increased usage of the National Guard and Reserve personnel. Our mobilization processes were not very effective at the beginning of the major troop call-ups. Many Reserve component personnel were ordered to Active-Duty with very short notice, sometimes just a matter of a few days. This obviously created havoc for military families and civilian employers.

Our pay systems weren't designed for large numbers of activated Reserve and Guard personnel, and this resulted in numerous pay problems. The Government Accountability Office looked at this and concluded that the pay system for mobilized Guard and Reserve personnel was so cumbersome and complex that personnel "could not be reasonably assured of timely and accurate payroll payments."

Support systems for the families of deployed Guard and Reserve personnel weren't in place when they started large-scale mobilization of the Reserve components. Although Guard and Reserve families have many of the same issues as Active-Duty families, they have unique needs, because they are less familiar with the military, and many live in civilian communities located some distance from support networks normally found around military installations.

Medical care for the families of deployed Guard and Reserve personnel was problematic, because the families had difficulty navigating the TRICARE health care benefit. Many health care providers didn't accept TRICARE, and many families didn't want to interrupt their continuity of care by changing health care providers.

Most of these problems have been successfully addressed over time, but we still have to keep our eyes on them to prevent them from recurring as we continue to use the Reserve components in new and creative ways.

The recently completed QDR states, "The Reserve component must be operationalized so that select reservists and units are more accessible and more readily deployable than today." If the Reserve components are even more accessible and deployable—more deployable than they are now, we have to be ever vigilant to ensure that the servicemembers and their families are paid on time, that they receive the quality health care they deserve, and that their families receive the support they need as the servicemembers continue to serve our Nation so magnificently.

Mr. Chairman, I believe that the Nation has yet to answer the question about the future role of our Reserve components, and some of the questions that you've asked are similar to mine. What's 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?

I can say, as a former Governor, I understand the concerns of our current Governors about whether their National Guard personnel will be available to them to respond to State emergencies. States with a high risk of hurricanes, wildfires, and other natural disasters, including snowstorms in Nebraska, must have assurance that National Guard Forces will be available when they're needed.

Two years ago, we authorized a Commission on the National Guard and Reserve to help us to understand and address issues like these. The members of this commission have just begun their task, and I'm hopeful that this commission will help us gain a better understanding of the role and needs of our Guard and Reserve Forces, and give us a roadmap for legislation to ensure they're fully supported.

Mr. Chairman, we're all fully aware that our Nation cannot successfully conduct a significant military operation without the participation of our National Guard and Reserve personnel.

I look forward to the testimony of our witnesses regarding the future of our Guard and Reserve units and how we can address the problems together that they are currently facing.

Thank you very much.

Senator GRAHAM. Thank you, Senator Nelson. Well said.

Secretary Hall.

STATEMENT OF HON. THOMAS F. HALL, ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS

Mr. HALL. Yes, sir. Thank you.

Before I start my statement, I would like to recognize someone. I'd like for Command Sergeant Major Holland to please stand. He is my command sergeant major, and he is concluding 37 years of service. He's going to retire this year. He's a combat veteran of Afghanistan, and a combat veteran of Iraq. We also deployed his wife. He's served with great distinction and honor, and I just wanted him recognized as he closes out a distinguished military career. [Applause.]

Senator GRAHAM. Thank you so much for your service. We're proud of you. I'll bet you support the age 55 Reserve retirement eligible bill. [Laughter.]

Mr. HALL. Thank you.

Chairman Graham and Senator Nelson, I want to thank you for this opportunity to offer my thoughts on our Reserve component personnel policies and the 2007 National Defense Authorization Request.

I'd like to make an opening statement. Then General Blum has an opening statement. We would request that our written statements be entered into the record.

The Secretary and I are deeply grateful for your strong support, which is crucial to sustaining a strong Guard and Reserve. The men and women of the Guard and Reserve know they can count on you for your continued assistance.

As Assistant Secretary of Defense for Reserve Affairs, I consider it my personal responsibility to visit as many of the 1.2 million Reserve component members in the field as I can. They are proudly and professionally performing vital national security missions at home and around the world in superb fashion. Their most urgent concerns are predictability and, when activated, parity with the Active Force concerning educational benefits, bonuses, and special pays.

We're still in the midst of one of the longest periods of mobilization in our history, and we have worked diligently, and sought your assistance, to correct areas that need improvement. Our Reserve Forces are certainly stressed, as you would expect when our Nation is at war. We have reduced our Reserve component activation to, as of today, 110,000, a drop of 70,000 since this time last year, which means 70,000 more guardsmen and reservists than at this time last year are at home, on the job, and with their families. We are, in fact, helping to reduce some of the stress on the force. I might add, that figure is going to go lower.

Recruiting and retention are improving, but remain very demanding tasks, given today's environment. For this year to date, four of our six Reserve components are essentially on track with their recruiting objectives. The Naval Reserve and the Air Guard are lagging a bit in recruiting, and the chiefs of those components will discuss their improvement plans during the next panel.

The changes you authorized to the Reserve enlistment and affiliation bonus in the National Defense Authorization Act for Fiscal Year 2006 are making a difference. Just as an aside, every trooper I re-enlisted in theater, everywhere I went, took the bonus, tax free. Personally, I think that's why we're retaining more people and our attrition rates are the lowest since 2000. People are staying, in ever-increasing numbers.

Senator GRAHAM. I hate to interrupt, but if you're enlisting and you don't take the money, we need to look at whether or not they should re-enlist. [Laughter.]

Mr. HALL. I did—these are very smart troopers, and I didn't find one that did not do that, Senator.

Through January 2006, enlisted attrition is on track to remain below the established ceilings.

The Secretary of Defense expressed the need to promote careful use of Reserve components by rebalancing the force, and you mentioned this in your opening statement. We are simultaneously rebalancing and transforming the force to meet the challenges of the 21st century and still maintain a wartime footing. The Services continue to improve their Active and Reserve component mix by rebalancing approximately 29,000 spaces in 2005, for a total of about 70,000. We have 55,000 more to go between 2006 and 2011.

We continue to closely monitor the impact of the ongoing mobilization of our Guard and Reserve members, their families, and employers. We are aggressively implementing bonus authorities, implementing the new TRICARE authorities, increasing efforts in recruiting and retention, using the new education benefit for the mobilized Guard and Reserve members, assisting our military families, and ensuring our employers are informed and aware of Reserve service. Legislative proposals we are submitting as part of this year's package will also help.

Collectively, my colleagues and I look forward to your questions, and, again, thank both of you for the opportunity to appear here and for what you contribute, in your positions.

Thank you.

[The prepared statement of Mr. Hall follows:]

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. 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.

DUTIES OF THE ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS

The principal duty 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 Department of Defense (DOD). I make it a priority, as does my staff, to visit with our Reserve component members in the field, and during those visits we see America's finest 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 personally seen the men and women in our Guard and Reserve at hundreds of sites throughout the world. In fact I have visited nearly 200 sites and spoken to over 205,000 personnel during my 3+ years in the job. During these visits 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, and have seen how heavily engaged they are. The stress on the force has been high but shows signs of lessening somewhat. We are continuing to monitor closely the impact of the stress that remains on our Guard and Reserve members, on their families, and their employers. In December 2004 there were just over 183,000 reservists mobilized from

all Services. Today that figure stands at 118,000, a drop of 65,000. We are relieving stress on the force.

In the 4½ years since September 11, 2001, our Reserve components have performed superbly in missions ranging from high intensity combat operations; to humanitarian assistance; to rescuing the victims of hurricanes; and in the case of the National Guard, other State missions, as well. At the same time, these operations have presented a number of challenges, particularly for our ground forces, who carry the weight of our security and stabilization efforts in Afghanistan and Iraq, as well as continuing to respond to the range of missions at home. The most pressing challenge is to sustain our military forces for the current operations while meeting our other worldwide commitments whatever and wherever they might be.

PURPOSE OF THE RESERVE COMPONENTS

Last year you modified the purpose of our Reserve components as defined in law to reflect more accurately the shift from a strategic reserve—one to be used only in the event of a major war; to an operational Reserve that supports day-to-day defense requirements. The QDR proposes a Reserve component that must be more accessible and more readily deployable. Becoming an operational Reserve is comprehensive in scope, and is empowering the Reserve components to make significant contributions to defense missions. They are now more relevant than ever to the warfight. Predictability is fundamental to sustaining an operational Reserve. To achieve this, we expect to utilize the Reserve components to support military mission requirements in a predictable, cyclic, or periodic manner. The transition to an operational Reserve began when we called Reserve component members up for Operations Desert Shield and Desert Storm. Since then, changes in force management have been made to reflect this transition toward an operational Reserve. Several legislative initiatives passed by this subcommittee have helped significantly in that transition. The objective remains the same; to recruit, train, equip, compensate, and employ Reserve component units and members for service in the Active component, wherever and whenever needed, in accordance with current laws and policies. This is an evolutionary effort and we will need your help and appreciate your continued support.

We thank you for this committee's support for legislation you passed in the most recent National Defense Authorization Act: especially for expanding eligibility criteria and increasing the maximum allowable payments under many of the bonuses and special pays for Reserve component members; enhancing the TRICARE Reserve Select Program; allowing mobilized reservists to receive full housing allowance if called to Active-Duty for more than 30 days; increasing the number of Army Reserve and Army Guard Reserve Officer Training Corps scholarships; and improving the educational assistance program for activated Guard and Reserve members, just to mention a few.

RESERVE COMPONENT MISSIONS TODAY

By far the most demanding operations continue to be Operation Enduring Freedom and Operation Iraqi Freedom. Reserve components currently furnish approximately 20 percent of the troops in theater. That is down from 30 percent just a year ago. The Reserve components remain an integral player in homeland defense, and in Operation Noble Eagle. They responded immediately and superbly to the Gulf Coast hurricane disasters, with the National Guard leading the way, having over 50,000 guardsmen providing needed assistance and support. The National Guard will remain a dual-missioned force performing both State and Federal missions

The Reserve components continue to perform a variety of non-traditional missions in support of the global war on terror. One such mission is the training of the Iraqi and Afghan national armies. The Reserve components have provided 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.

POLICIES

Judicious and prudent use of the Reserve components in support of the global war on terror remains the cornerstone of our policy in that effort. Our personnel policies state those reservists:

- Be given a minimum of 30 days notice prior to mobilization. We try to give at least 90 days notice when possible, so they can take full advantage of the early eligibility for TRICARE benefit. (Today, early notifications are now the norm, not the exception.)

- Called to involuntary Active-Duty under the current partial mobilization authority shall serve no more than 24 cumulative months on Active-Duty. There are no plans to expand the mobilization period to a policy of 24 consecutive months.
- May serve voluntarily for longer periods of time in accordance with Service policy. (Currently about 20,000 members are in a volunteer status.)
- May be released prior to the completion of the period of service for which ordered based on operational requirements.
- Should receive equitable treatment, when being considered for mobilization—considering the length and nature of previous service, family responsibilities, and civilian employment.* Are entitled management of individual expectations, considering morale and retention, by ensuring they: are performing essential and meaningful tasks; are provided as much predictability as possible.

Within this framework, we will continue to manage the Reserve components, and assess the impact mobilization and deployments have on Guard and Reserve members, their families and employers, and adjust our policies as needed.

STRESS ON THE FORCE

Discussion continues about the stress that the global war on terror is placing on the force—both Active and Reserve. From my perspective, the dominant question still remains, "How extensively can we use the Guard and Reserve and still maintain a viable long-term 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 2006 to support the global war on terror, and then describe the effect that this 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. They consistently tell me this when I visit them in the field. But we must also be mindful not to overcommit them; we must use the Reserve Force wisely. We must be mindful of the additional 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 more than 485,000 Guard and Reserve members (475,000 Selected Reserve members and approximately 10,000 IRR members) were mobilized between September 11, 2001 and December 31, 2005. That means that about 39 percent of the 1,215,641 members who have served in the Selected Reserve during this period were mobilized during the current contingency.

The other way to look at mobilization is in terms of today's total Reserve component force—those who are currently serving in the Selected Reserve. Looking at today's Selected Reserve Force of 825,427 serving, as of December 31, 2005, we have mobilized 381,311 Reserve component members, or 46 percent of the current force. Of this force, 69,946 (or 8.5 percent of all members who are currently serving) have been mobilized more than once. Of the 69,946, a total of 53,763 (6.5 percent) have been mobilized twice, 11,118 (1.4 percent) have been mobilized three times and 4,995 (0.6 of 1 percent) have been mobilized more than three times. No reservist has been involuntarily mobilized for more than 24 cumulative months, and nearly all (98.8 percent) of those remobilized were volunteers.

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 terror) through 2003, the Reserve components in the aggregate were at or slightly above 100 percent of their authorized end strength. In fiscal year 2004 the Reserve components in the aggregate were slightly below their authorized end strength achieving 98.4 percent. That trend continued in fiscal year 2005 with end strength achievement at 95.2 percent. In fiscal year 2006 we expect the end strength achievement to go up from the fiscal year 2005 levels.

Recruiting Results

In a very challenging recruiting environment, the DOD Reserve components cumulatively achieved 85 percent of their fiscal year 2005 recruiting objectives, as compared to the 96 percent achievement in the previous year. Two of the six DOD Reserve components achieved their recruiting objectives—the Marine Corps Reserve and the Air Force Reserve. The Army National Guard fell short by 12,783 (achieving 80 percent of its recruiting objective), the Army Reserve fell short by 4,626 (achieving 84 percent), the Navy Reserve fell short by 1,703 (achieving 85 percent), and the Air National Guard fell short by 1,413 (achieving 86 percent). End strength results were better because of continued low attrition rates in the majority of the components.

Fiscal year 2006 will continue to be a challenging year for Reserve recruiting—particularly in the Reserve components of the Army, but many initiatives have been undertaken to mitigate the challenges. During the first 4 months of fiscal year 2006, four of the six DOD Reserve components, including both the Army National Guard and the Army Reserve, met or exceeded their recruiting objectives. We continue to monitor the quality of our recruits against the goals we established. We see no indicators in the performance of young men and women being recruited today that concerns us. They remain America's finest. The changes you authorized to the Reserve enlistment and affiliation bonus in the National Defense Authorization Act for Fiscal Year 2006 should continue this upward trend. Thank you for your support!

Retention

The requirements to support the global war on terror—particularly our commitment in Iraq—have placed a strain on the Reserve Force. Nonetheless, measuring those who reenlist at the completion of their current contract, we find that reenlistments were higher (by over 2,000) in fiscal year 2005 than they were in fiscal year 2004, up from 95.5 percent of goal in fiscal year 2004 to 100.1 percent of goal in fiscal year 2005. This is a very positive trend over the past 2 years and we believe it will continue in fiscal year 2006. 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 are pleased to report that enlisted attrition generally remained below established ceilings throughout fiscal year 2005, also a very positive trend. Through December, 2005 enlisted attrition is on track to remain below the fiscal year 2006 ceiling established by each Reserve component.

Mitigation Strategies

Of all the strategies to help reduce the stress on the force, the first and perhaps most important is rebalancing. Its purpose is to adjust the force to be responsive and produce the capabilities needed in balanced portfolios across all components. The old force was balanced 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 decreasing capabilities in both the Active and Reserve components that are in lesser demand, and increasing them in areas of higher demand, changing lower priority structure to higher priority structure, and producing a new Active component/Reserve component mix. As outlined in the report Rebalancing Forces: Easing the Stress on the Guard and Reserve, 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 continued to improve their Active/Reserve component mix by rebalancing approximately 29,000 spaces in fiscal year 2005, for a total of about 70,000 to date. The Services have planned and programmed an additional 55,000 spaces for rebalancing between fiscal year 2006 and 2011. The amount and type of rebalancing varies by Service. By 2011 we expect to have rebalanced about 125,000 spaces. We expect the Services to revisit their rebalancing plans in response to directives from the Quadrennial Defense Review. The Department will continue to work closely with the Services as they review and modify their rebalancing plans. Easing stress on the force includes more than just rebalancing the military.

A second initiative is the conversion of military spaces to DOD civilian positions or contractors. The purpose of this initiative is to move military personnel 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. The Services have an aggressive program to convert military-to-civilian over the next few years. The Services converted about 16,000 military spaces to civilian manning in fiscal year 2005 and plan to convert over 18,000 additional from fiscal year 2006 to fiscal year 2011. This greatly aids the ability of the Reserve components by providing more spaces for rebalancing.

Third, to ease the burden on some high demand, low density units and skills, we have employed innovative joint concepts and technology to spread mission requirements across the entire force. For example, Navy and Air Force personnel now augment ground forces in Iraq and technology is now being used on Air force installations to replace the need to use military personnel to perform surveillance functions.

A fourth area is innovative force management under our continuum of service construct. This approach maximizes the use of volunteers, provides greater opportunities for reservists who are able to contribute more, and offers innovative accession and affiliation programs to meet specialized skill requirements.

Under the old rules, end strength and controlled grade accounting, and the requirement for officers to compete for promotion against Active-Duty personnel suppressed the number of volunteers and limited the length of their duty. reservists were reluctant to volunteer for extended periods of Active-Duty. We are extremely grateful to Congress for removing these barriers and adding more authorizations to the new Reserve component operational support strength accounting category.

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 ultimately enable the components to meet recruitment and retention objectives. Similarly, the emphasis on volunteerism is designed to allow servicemembers who want to contribute more to defense missions to do so.

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. However, we must balance the use of volunteers from the Selected Reserve with pending unit deployments and the need for unit cohesion. Retiree and Individual Ready Reserve (IRR) members also provide sources of volunteers.

Compared to Operation Desert Storm when we mobilized 30,000 IRR members, we have used fewer IRR members to support the global war on terror. In the past 4 years, we have mobilized about 10,000 IRR members. The further utilization of the IRR remains a viable option for meeting both near-term and long-term commitments. But, we must establish the proper expectations for our Reserve component members, their families, their employers, and the public in general. We have undertaken a program to establish the expectations of reasonable service requirements for the 21st century based on the frequency and duration of military duty, and predictability.

For the long term, we will continue to energetically pursue these transformation strategies. Rebalancing the force will continue, as will the conversion of military to civilian positions. The Department's transformation to a capabilities-based force should help relieve stress on the force. The overall objective is to have an enduring flexible force, capable of meeting diverse mission requirements.

NATIONAL GUARD UTILIZATION

The National Guard is a vital and integral part of the Army and Air Force total force mission capability. As a dual-missioned force, fulfilling both Federal and State roles is vital to the National Security Strategy, Homeland Defense, and the survival of the Nation.

Much has been said about the Army National Guard being cut, both end strength and units. While it is true the fiscal year 2007 budget submission reflects an actual number of troops on board, the Army leadership is on record in testimony before the House and Senate that they are committed to funding the Guard to the level to which they can recruit, up to their congressionally authorized end strength of 350,000. The Guard will remain at 106 total brigades (28 brigade combat teams and 78 support brigades of varying types). For modernization alone, the Army has budgeted approximately $21 billion from 2005 to 2011, a four-fold increase over the level of funding for equipment modernization from the 1999 period. This organization, manning, and funding will permit the Army National Guard to support the Nation's

global operations, prevail in the global war on terror, and conduct expanded State and homeland security missions.

The Army and Air National Guard will continue to have 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, Commonwealth, 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 36 of the 55 congressionally authorized WMD–CSTs as being operationally ready. The remainder of the teams should be certified by third quarter, fiscal year 2007.

The Air National Guard will continue to consult with the Air Force to organize, train and equip their total forces more effectively and efficiently. The Air Force is developing new initiatives that will allow recapitalizing key weapons system capabilities and organizing the force to better support the combatant commanders. Participation of the Air National Guard in these discussions is critical to ensure an appropriate balance of capabilities in all components of our total force. Air Reserve component restructuring is part of the ongoing discussions in the development of the fiscal year 2008 budget.

The response to the hurricanes on Gulf coast, the brush fires in the south central States, or the flooding throughout the United States, shows the National Guard is a crucial element in a Governor's response to natural disasters. The National Guard will continue to have a prominent role in supporting local and State authorities in their efforts to manage the consequences of a domestic terrorist attack or natural disaster.

FAMILY PROGRAMS

The Department is sensitive to the hardships and challenges that the families of Guard and Reserve members face, especially when the guardsman or reservist is away from home for an extended period. The better care we take of the family, the more likely the member will stay with us.

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 issue, the Department has 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 rather they are available to the family of any servicemember.

One way we are reaching out to families is with a 24-hour/7-day-a-week toll-free family assistance service—Military OneSource. Military OneSource can assist with referrals for every day problems such as childcare and how to obtain health care. Additionally, the Department has contracted with a health network of professional consultants available in local communities to assist military families with daily living challenges resulting from deployment and separation.

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 family benefits guide and a tool kit 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.

We are particularly concerned about post-deployment and we are focusing on enhancing support programs and services for Reserve component members and their families following mobilization with programs such as the Marriage Enrichment Program, and a non-sectarian Prevention and Relationship Enhancement Program conducted by trained chaplains. These and other programs are made available on weekends throughout the States and territories for returning Guard and Reserve military members and their spouses at no charge. Commands have been proactive in partnering with the VA and other State and Federal agencies to provide additional services to reservists and their families such as relationship/readjustment counseling.

RESERVE COMPONENT HEALTH BENEFIT ENHANCEMENTS

The Department has fully implemented the premium-based "TRICARE Reserve Select" program, which offers TRICARE Standard and medical treatment facility space-available coverage to Selected Reserve members and their families following the member's service in support of a contingency operation. The member must commit to continued service in the Selected Reserve and agree to share the premium cost. We appreciate Congress's support in providing reservists' additional time after demobilization to make an enrollment decision and amending the program parameters so reservists can take advantage of the full period of earned benefit if they are subsequently called to Active-Duty. These changes make the program more attractive and allow reservists more time to consult with their spouse before making an enrollment decision.

We are also developing implementing guidance for the new provision that gives all Selected Reserve members, and their families, access to TRICARE Standard, regardless of the member's duty status—the TRICARE Reserve Select 50/85 plans. Selected Reserve members who are self-employed, who are eligible unemployment compensation recipients or who are not eligible for health care under an employer-sponsored health benefit plan can enroll in TRICARE Reserve Select 50 plan, under which the member must pay 50 percent of the premium. Selected Reserve members who do not meet those eligibility criteria for the TRICARE Reserve 50 plan and are not eligible for TRICARE Reserve Select, can enroll in the TRICARE Reserve Select 85 plan, under which the member must pay 85 percent premium.

EMPLOYER-RESERVIST RELATIONS

We respond to all inquiries we receive from an employer, family member, or individual guardsmen or reservist. Employer Support of the Guard and Reserve (ESGR) is the DOD's employer outreach agency tasked to gain and maintain support from all public and private employers for the men and women of the National Guard and Reserve. ESGR also reaches out to both employers and servicemembers to ensure the requirements of the Uniformed Services Employment and Reemployments Rights Act (USERRA) are both understood and applied. Service members and employers may resolve USERRA conflicts via free mediation and ombudsman services provided by ESGR. Since October 2003, ESGR shows a continuing decline in the number of cases opened (from 486 per month average in fiscal year 2004 to a 335 per month average for fiscal year 2005 to an average of 214 per month for first quarter fiscal year 2006).

EQUIPMENT AND FACILITY READINESS

Equipment Readiness

The Services are acquiring interoperable equipment needed to meet joint training and operational mission requirements; as necessary for a seamlessly integrated Total Force.

The Reserve components were appropriated about $4.13 billion in fiscal year 2006 for equipment procurement, as compared to $2.4 billion on average in past years. The fiscal year 2007 President Budget request for Reserve components is $3.55 billion. The Army's Reserve components are resourced at approximately 70 percent of required equipment. Legacy equipment accounts for 30 percent of equipment on hand. The Army programmed $48 billion for the modularity initiative and includes $19.2 billion for the Army National Guard (ARNG) and $3.7 billion for the U.S. Army Reserve over the fiscal years 2006–2011 time frame.

In the short term, the Army's immediate requirements have been resolved by cross leveling equipment among units, or having units utilize equipment remaining in theater as Stay Behind Equipment (SBE). These actions have an equipment availability and training impact on the units remaining or returning to their home station.

As a long-term goal, the Services' developed strategies that include development of blended or augment units to share modern equipment with the active components, like the Air Force's Total Force Integration and the Army's Modularity plan.

The Army has developed a transformation strategy that establishes a means of providing force elements that are interchangeable, expandable, and tailored to meet the changing needs of the combatant commanders. This initiative, along with the global war on terror requirements, resulted in the Army's development of a new strategy that guarantees mobilized units to be equipped at 100 percent and non-mobilized Army Reserve and Army Guard units to be equipped with training sets, and identified ARNG units to meet the homeland defense requirements at higher equipping rates. This strategy is a unit rotation model called the Army Force Generation

Model (ARFORGEN). ARFORGEN consists of progressive and sequential levels of increasing readiness from reset/train, to a ready force available to deploy. While the optimal rotation rates of Active component and Reserve component forces will differ (Active component=one deployment in 3 years, Reserve component=one deployment in 6 years), the necessary planning, resourcing, and training validation process is to be synchronized so that the Army can generate ready forces from both components to achieve a steady state deployment capability.

Military Construction

The Reserve components' military construction programs will provide new readiness centers, called Joint Armed Forces Reserve Centers, vehicle maintenance facilities, organizational maintenance shops, and aircraft maintenance facilities for Reserve component missions. Future budget requests will continue the Department's efforts to improve the quality of life for the Guard and Reserve, which for the nonmobilized reservist, is not normally housing and barracks, but rather where they work and train.

Sustainment/Restoration and Modernization

The Department is increasing the "sustainment" and "restoration and modernization" funding levels in order to ensure that facilities are available, and deliver full functionality 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 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 including 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

Even prior to base realignment and closure requiring joint construction and basing, the Reserve components have been at the forefront of creating innovative ways to manage scarce military construction 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 2007 LEGISLATIVE INITIATIVES

The following legislative proposals are contained in the Omnibus bill submitted with the President's budget.

A provision that raises from $10,000 to $25,000 the special pay for Reserve component health professionals who are on Active-Duty for at least 1 year. This increase in special pay for Selected Reserve health care professionals in critically short wartime specialties supports efforts to meet vitally important retention goals.

Budget Impact

The funding for this proposal is discretionary; the budget submission will contain the funds to support the programs envisioned. All special pay bonus authorities must stay within the original appropriation and require no extra funds. Other proposals are in final coordination/approval within the administration.

CONCLUSION

The National Guard and Reserve continue to be a mission-ready 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

role as an operational reserve in all facets of the total force. The nation continues to call and the Reserve components continue to answer that call. But in answering that call, we cannot lose sight of the need to balance their commitment to country with their commitment to family and civilian employers. That is why our efforts to: relieve stress on the force is absolutely essential; continue to rebalance the force is so crucial; and ensure that utilization not turn into over-utilization is so critical. I am mindful that the path forward will not be easy, but together we will ensure operational, fully ready, and outstanding Reserve components. 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.

Senator GRAHAM. Lieutenant General Blum.

STATEMENT OF LTG H. STEVEN BLUM, USA, CHIEF, NATIONAL GUARD BUREAU

General BLUM. Chairman Graham, Senator Nelson, members of the subcommittee, thank you for the opportunity to discuss the status of personnel within the National Guard.

Soldiers and airmen make up your Army and Air National Guard. Citizen soldiers and citizen airmen have once again demonstrated their ability to simultaneously operate across the entire spectrum of military operations, from close combat in Afghanistan and Iraq to a response to homeland security or homeland defense here, or natural disasters, such as you witnessed in the aftermath of Hurricane Katrina.

I would now, with your permission, present 2 distinguished citizen soldiers and citizen airmen that are representative of the 460,000 citizen soldiers and airmen that make up your Army and Air National Guard.

The first that I'd like to introduce this morning is Master Sergeant Kerry Miller. Please stand. Master Sergeant Miller is a pararescue team leader from Kentucky Air National Guard. He is married. He has two small children—Ian, 6, and Kirsten, 4. He's a family man, a citizen soldier activated and called to active duty in Afghanistan, pararescue man who went in at 11,500 feet in the Hindukush Mountains to recover a special operations crew, CH–47, that was down. The crew was surrounded by hostiles. Without any regard to his personal safety, he flew in with a team of Rangers and other elements, went into the mountainous region of Afghanistan to save these people. Their helicopter was shot out from under them. We lost a second helicopter, CH–47. He fought on the ground. Almost immediately, seven Rangers were killed coming off of the crippled aircraft. He and a few others fought for 7 hours, an enemy that was determined to kill every one of them, in ranges as close as I am to you, for 7 hours, to include calling in close-air support as close as 50 feet away from their position. This bravery, his concern for his fellow men, his leadership, his courage under fire in saving his fellow soldiers that he was involved with, in motivating and leading those who were there, redistributing ammunition, coordinating close-air support, and getting the remainder of those bodies out, and those that were alive out, have resulted in him being awarded the Silver Star for Valor. We're very proud of him. [Applause.]

Senator GRAHAM. Very impressive, indeed.

General BLUM. The second citizen soldier is from Indiana, and he also found himself, the way we do business, not having full-up units and having to cross level, serving with the Kentucky National

Guard in a military police unit—not in Afghanistan; this time, in Iraq. He and 9 other members of the Kentucky National Guard were riding around in 4 Humvees, patrolling their area, their sector in Iraq, when a convoy of over 30 foreign-national vehicles was ambushed by a determined anti-Iraqi coalition group of 50 insurgents, 50 attacking an unarmed convoy. The only thing that kept them from total annihilation was Sergeant Tim Nein, this individual standing before you. He's also married. He also has young children—Sam, 10, and Ian, 5. He has a lot invested here. He, as a citizen solder, left his family to be called up for the global war on terrorism. He threw his MP squad between certain death for these foreign-national truck drivers and these 50 insurgents that had a determined attack with small arms, mortars, rocket-propelled grenades. This force of 10 took on 50 people, and, for the next period of intensive fighting, to include going back to vehicles, reloading, reallocating ammunition, evacuating the wounded, calling for reinforcements, he was the squad leader that was in charge of the ground force, and it resulted in 27 killed in action on the part of the enemy. It resulted in six wounded on the part of the enemy. It resulted in one combatant being captured and a total defeat of this determined ambush. He also was awarded the Silver Star for his courage under fire and his leadership and dedication. We have a lot to be proud of here, too. [Applause.]

The Directors of the Army and Air National Guard, General Vaughn and General James, will, in the second panel, give you all of the detail that you may want as we peel back any issues that come up before this subcommittee, but I'd like to set the ground rules early on this, or at least set the stage for where we are in the Army and the Air National Guard.

Both the Army and the Air National Guard face recruiting challenges. Admittedly, there are challenges, but I am absolutely confident that both the Army and the Air National Guard will achieve their end strength goals this year. There's no doubt in my mind. That is largely due to the fact that we're a word-of-mouth recruiting organization. Many of our troops are now back home. They are staying with us, and they are immensely proud of what they have accomplished. They thought what they did in Afghanistan and Iraq and around the world made a difference, and they want other members to be part of their team, because they never want to go to war again without a unit that's totally fully-manned. That means all of the positions filled.

Recruiting and retention take on a much greater meaning once you've been to war and you understand what it means to fight shorthanded. They also understand what it means to fight underequipped. So, it's very significant to us that these magnificent citizen soldiers and airmen have the equipment in their hands that they need to train with, because that is also a factor in retention and recruiting. It is very difficult to attract someone to a unit that doesn't have equipment or keep their interest when we have the kind of quality soldiers and airmen we have today. They have to have modern equipment in their hands if they're going to train on it and remain interested in what we expect them to do. They must have that equipment if the Governors call them out tonight or the President calls them out for next week.

The issue of changes to Army end strength and force structure has received a great deal of attention by the Senate recently. There's been a lot of public discussion. General Vaughn will address this. I want to be clear on one issue right up front. We ask this body to again authorize and resource the Army National Guard at an end strength of 350,000. That's what this country needs. That's what the State Adjutants General and the Governors believe is the right size force. That's what the Adjutants General believe that we will achieve between now and the end of the year.

The senior leadership of the Army has committed to fund the Army Guard up to that level, and I would like to make sure we all hold them to that promise.

It is great that our Members of Congress understand that recruiting and retention are linked to equipment and the mission. Our people are more likely to stay in the Guard when they have a clear mission and they have quality equipment in the right quantities to do their missions. As we talk today about recruiting and retention, we should remain mindful that these equipment shortages in the aftermath of Base Realignment and Closure (BRAC)-related mission disruptions absolutely compounded our strength challenges and make what we're doing now even more difficult than it needed to be.

Capability really comes from three things. It's having people that are trained, and it's having the equipment in the hands of these people that are trained to use that equipment. If either the people aren't there or the training isn't there or the equipment isn't there, the capability isn't there. We don't want to confuse, as General Schoomaker often says, enthusiasm with capability. We need to make sure we have capability.

Our homeland capabilities must support the warfight, but they must also protect our citizens here at home. The National Guard has taken several initiatives to provide the Governors of the States with what we feel to be 10 critical or essential capabilities. Your National Guard's homeland readiness is rooted in these 10 essential capabilities. They're aviation, engineering, civil support teams, which Congress has provided, security forces, medical forces, transportation, maintenance, logistics, a command-and-control (C2) apparatus—which really isn't command and control, it's really coordination and communication when we're talking about a joint interagency effort here in the United States. You still need that C2 piece, however, and the joint force headquarters in each State absolutely do that superbly—and communications. You have to have the hardware to be able to communicate—the radios and the satellite phones and the satellite dishes and so forth.

We are leveraging existing combat capabilities that are resident in the Army and the Air Guard, the units that we have, but we're also making them even better and more relevant to what we may be called upon, on no notice, here at home to do. We have established a Joint Force Headquarters and have a Joint Operations Center that operates 24/7, 365 days of the year, so that we can provide situational awareness immediately to the commanders in chief of the States and the Commander in Chief of the Nation, and to the combatant commanders, the Joint Staff, the Office of the Secretary of Defense (OSD), the Departments of the Army and the Air

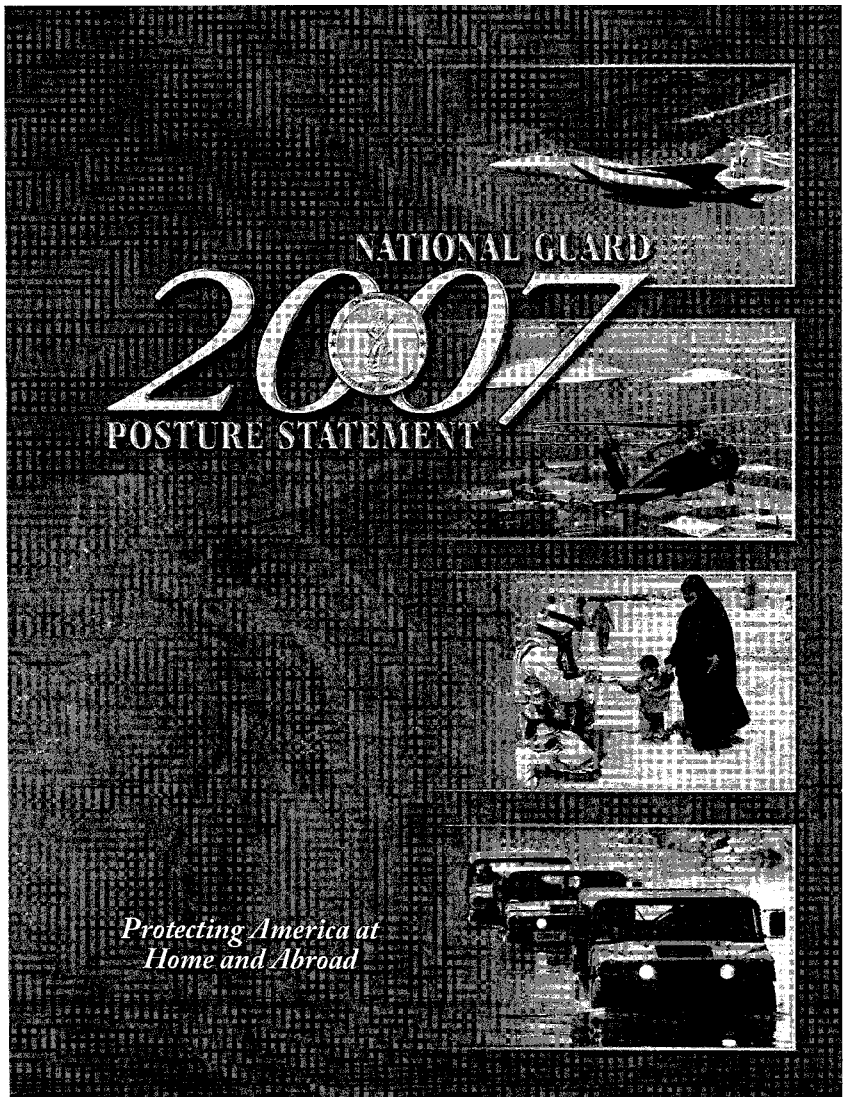
Force, and whoever else may need to share that information, to include the Department of Homeland Security.

We also have weapons of mass destruction (WMD), counterterrorism, and consequence management response teams that we call chemical, biological, radiological, nuclear, or high-yield explosive enhanced response force package teams. As a matter of fact, on April 4, 2006, at the DC Armory, about 3 miles from this location, we will be exercising one of those, and we invite your attendance. We will have three or four iterations of training. It will not be a demonstration; it will be truly watching these force packages absolutely go through the training that we put them through so that they're ready in case we need them. This will happen on April 4, 2006, at the DC Armory, between the hours of 11 a.m. and 1 p.m. We'd invite anyone's attendance who's interested.

In closing, the successful integration of civilian and military organizations and their capability have long been a strength of the National Guard. Our members live in both worlds. Our forces operate in both worlds. We are proud to be able to bring these community organizations and capabilities together and render our fellow citizens essential help when it's needed most.

Sir, I'll close now, and look forward to your questions.

[The joint prepared statement of General Blum, General Vaughn, and General James follows:]


NATIONAL GUARD
2007
POSTURE STATEMENT
Protecting America at
Home and Abroad

Cover Photos from Top to Bottom:

A US Air Force F-15C Eagle aircraft assigned to the 122nd Fighter Squadron, Louisiana, Air National Guard, flies over the Cape San Blas Lighthouse in Northern Florida, after a successful mission flown in support of Combat Archer, a Weapons System Evaluation Program, conducted at Tyndall Air Force Base, Florida. Camera Operator TSGT Michael Ammons, USAF. (14 May 2002).

A US Army UH-60 Black Hawk helicopter assigned to the 4th Infantry Division flies towards the Louisiana Super Dome in New Orleans, Louisiana. The Super Dome is being used as a central staging and education center for thousands of displaced New Orleans residents affected by the flooding and devastation of Hurricane Katrina. Camera Operator: TSGT Kevin J. Gruenwald, USAF. (4 Sep 2005).

US Army Soldiers of the 1st Platoon/198th Armor, Quick Reaction Force, Mississippi Army National Guard, Amory, Mississippi, part of the 155th Brigade Combat Team, Tupelo, MS, stop in the city of Najaf to hand out treats and personal hygiene items to the children and their parents. The Soldiers based at Forward Operating Base Hotel participating in these activities, are helping establish a stronger relationship with the citizens of Iraq during Operation Iraqi Freedom. Camera Operator PH2(AW/NAC) Edward Martens, USN. (10 Apr 2005).

No information available for bottom photo.

Composite background map image sources:

Landsat7 Visible Cover WWC, Landsat7 Pseudo Grayscale 1990, and USGS Topo Maps.

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In Memoriam

A special dedication to the men and women of the Army and the Air National Guard who made the ultimate sacrifice while serving the United States of America.

America's 21st Century Minutemen—Always Ready, Always There!

National Guard Soldiers and Airmen lost during the attacks on 9/11, Operation Noble Eagle, Operation Enduring Freedom and Operation Iraqi Freedom as of January 1, 2006

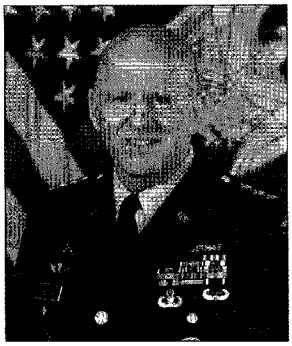
PVT Algernon Adams, SC
SGT Leonard Wade Adams, NC
SPC Segun F. Akintade, NY
SPC Azhar Ali, NY
SGT Howard Paul Allen, AZ
1LT Louis E. Allen, NY
SSG William Alvin Allers III, KY
SFC Victor Antonio Anderson, GA
SPC Michael Andrade, RI
SGT Travis Mark Arndt, MT
SSG Daniel Laverne Arnold, PA
SSG Larry Richard Arnold, MS
SGT Christopher James Babin, LA
SSG Nathan J. Bailey, TN
SPC Ronald W. Baker, AR
SGT Sherwood R. Baker, PA
1LT Gerald Baptiste, NY
SGT Michael C. Barkey, OH
1LT Christopher W. Barrett, LA
SPC Bryan Edward Barron, MS
SGT Michael Barry, MO
SPC Todd M. Bates, OH
SGT Tane Travis Baum, OR
SPC Alan Bean Jr., VT
SGT Bubby E. Beasley, VA
CPL Joseph Otto Behnke, NY
SGT Aubrey D. Bell, AL
SPC Bradley John Bergeron, LA
SSG Sean B. Berry, TX
SSG Harold D. Best, NC
SGT Dennis J. Boles, FL
SFC Craig A. Boling, IN
SSG Jerry L. Bonifacio Jr, CA
COL Canfield "Bud" Boone, IN
PFC Samuel R. Bowen, OH
SGT Larry Bowman, NY
SSG Hesley Box Jr., AR
SSG Stacey C. Brandon, AR
SPC Kyle A. Brinlee, OK
SSG Cory W. Brooks, SD
PFC Nathan P. Brown, NY
PFC Oliver J. Brown, PA
SPC Philip D. Brown, ND

SPC Jacques Earl Brunson, GA
PFC Paul J. Bueche, AL
CPL Jimmy Dale Buie, AR
SPC Alan J. Burgess, NH
SPC Casey Byers, IA
SGT Charles T. Caldwell, RI
SSG Joseph Camara, RI
SGT Deyson Ken Cariaga, HI
SPC Jocelyn L. Carrasquillo, NC
SGT James Dustin Carroll, TN
SGT Frank T. Carvill, NJ
SFC Virgil Ray Case, ID
CAPT Christopher S. Cash, NC
SPC Jessica L. Cawvey, IL
SPC James A. Chance III, MS
SSG William D. Chaney, IL
MSG Chris Shayne Chapin, VT
SSG Craig W. Cherry, VA
SPC Don A. Clary, KS
MSG Herbert R. Claunch, AL
SPC Brian Clemens, IN
SGT Russell L. Collier, AR
SFC Kurt Joseph Comeaux, LA
SPC Anthony Steven Cometa, NV
SFC Sean M. Cooley, MS
SSG Travis Sentell Cooper, MS
SGT Alex J. Cox, TX
SPC Carl F Curran, PA
SPC Daryl Anthony Davis, FL
SSG Kevin Dewayne Davis, OR
SPC Raphael S. Davis, MS
SSG David Fredrick Day, MN
SGT Felix M. Del Greco, CT
SPC Daryl T. Dent, DC
SPC Daniel A. Desens, NC
PFC Nathaniel Edward Detample, PA
SPC Joshua Paul Dingler, GA
SPC Ryan E. Doltz, NJ
1LT Mark Harold Dooley, VT
SPC Thomas John Dostie, ME
SSG George Ray Draughn Jr., GA
SPC Christopher M. Duffy, NJ
SGT Arnold Duplantier,II, CA
SSG Mark Oscar Edwards, TN
SGT Michael Egan, PA
SGT Christian Philip Engeldrum, NY
CPT Phillip T. Esposito, NY
SPC William Lee Evans , PA
SPC Michael Scott Evans II, LA
SSG Christopher Lee Everett, TX
SGT Justin L. Eyerly, OR
SPC Huey P. Long Fassbender, LA
CPT Arthur L. Felder, AR
SGT Robin Vincent Fell, LA
SPC William Valentin Fernandez, PA
SPC Jon P. Fettig, ND
SGT Damien Thai Fleek, WA
SGT Jeremy J. Fischer, NE
CPT Michael Todd Fiscus, IN
SPC David Michael Fisher, NY
SGT Paul F. Fisher, IA
CW2 John Michael Flynn, NV
SSG Tommy L. Folks, Jr., TX
SPC Craig S. Frank, MI
SSG Bobby C. Franklin, NC
SSG Jacob Frazier, IL
SPC Carrie Lee French, ID
SPC Armond L. Frickey, LA
SSG Carl Ray Fuller, GA
SGT Jerry Lewis Ganey Jr., GA
SGT Seth Kristian Garceau, IA
SPC Tomas Garces, TX
SGT Lennis W. Garrison, IL
SGT Christopher Geiger, PA
SPC Christopher D. Gelineau, ME

SPC Mathew Vincent Gibbs, GA
2LT Richard Brian Glenau, IA
SSG Charles Crum Gillican III, GA
SPC Lee Myles Godbolt, LA
SPC Richard A. Goward, MI
SSG Shawn Alexander Graham, TX
SGT Jamie A. Gray, VT
SPC James T Grijalva, IL
SGT Jonathon C Haggin, GA
SFC Peter James Hahn, LA
SSG Asbury Fred Hawn II, TN
SPC Michael Ray Hayes, KY
SPC Paul Martin Heltzel, LA
SPC Kyle Matthew Hemauer, VA
1LT Robert L. Henderson II, KY
SSG Kenneth Hendrickson, ND
SPC Brett Michael Hershey, IN
MSG Michael Thomas Hiester, IN
SGT Stephen Correll High, SC
SGT Jeremy M. Hodge, OH
SFC Robert Lee Hollar Jr., GA
SPC James J. Holmes, ND
SPC Jeremiah J. Holmes, NH
SGT Manny Hornedo, NY
SGT Jessica Marie Housby, IL
SPC Robert William Hoyt, CT
SPC Jonathan Adam Hughes, KY
SGT Joseph Daniel Hunt, TN
SSG Henry E. Irizarry, NY
SPC Benjamin W. Isenberg, OR
SFC Tricia Lynn Jameson, NE
SGT Brahim Jamal Jeffcoat, PA
SPC William Jeffries, IN
SPC David W. Johnson, OR
SSG David Randall Jones, GA
SFC Michael Dean Jones, ME
SGT Anthony Nelson Kalladeen, NY
SPC Alain Louis Kamolvathin, NY
SPC Mark J. Kasecky, PA
SPC Charles Anthony Kaufman, WI
SPC James C. Kearney, IA
SGT Michael Jason Kelley, MA
SSG Stephen Curtis Kennedy, TN
SSG Ricky Allan Kieffer, MI
SGT James Ondra Kinlow, GA
PFC David M. Kischorff, IA
SGT Timothy C. Kiser, CA
SGT Floyd G. Knighten Jr., LA
SPC Joshua L. Knowles, IA
SSG Lance J. Koenig, ND
CW3 Patrick W. Kordsmeier, AR
SPC Kurt Eric Krout, PA
SPC John Kulick, PA
SFC William W. Labadie Jr., AR
SGT Joshua S. Ladd, MS
SPC Charles R. Lamb, IL
CW4 Patrick Daniel Leach, SC
SGT Terrance Delan Lee, Sr., MS
PFC Ken W. Leisten, OR
SSG Jerome Lemon, SC
SPC Tiothy J. Lewis, DC
SGT Jesse Marvin Lhotka, MN
SSG Victoir Patric Lieurance, TN
SPC Justin W. Linden, OR
SSG Tommy Seary Little, MS
SPC Jeremy Loveless, AL
SSG David L Loyd, TN
CPT Robert Lucero, WY
SPC Audrey Daron Lunsford, MS
SPC Derrick Joseph Lutters, KS
SPC Wai Phyo Lwin, NY
SSG William Francis Manuel, LA
SPC Joshua Samuel Marcum, AR
PFC Ryan A. Martin, OH
SGT Nicholas Conan Mason, VA

SPC Patrick R. McCaffrey, Sr., CA
1LT Erik S. McCrae, OR
SPC Donald R. McCune, WA
SGT John Edward McGee, AL
SPC Jeremy Wayne McHaffey, AR
SPC Eric S. McKinley, OR
SPC Scott Paul McLaughlin, VT
SSG Heath A. McMillan, NY
SPC Robert Allen McNail, MS
MSG Robbie Dean McNary, MT
SPC Kenneth A. Melton, AR
SGT Chad Michael Mercer, GA
SSG Dennis P Merck, GA
SPC Michael G. Mihalakis, CA
SGT John Wayne Miller, IA
CPT Lowell Thomas Miller II, MS
SFC Troy L. Miranda, AR
SGT Ryan Jay Montgomery, KY
SGT Carl James Morgain, PA
SPC Dennis B. Morgan, SD
SGT Steve Morin Jr., TX
SGT Shawna M. Morrison, IL
SPC Clifford L. Moxley, PA
SPC Warren Anthony Murphy, LA
SGT David Joseph Murray, LA
SPC Nathan W. Nakis, OR
SPC Creig Lewis Nelson, LA
SSG Paul Christian Neubauer, CA
SPC Joshua M. Neusche, MO
SPC Paul Anthony Nicholas, CA
SGT William J. Normandy, VT
PFC Francis Chinomso Obaji, NY
SGT John Banks Ogburn, OR
SGT Nicholas Joseph Olivier, LA
SSG Todd Donald Olson, WI
SPC Richard P. Orengo, PR
SSG Billy Joe Orton, AR
SGT Timothy Ryndale Osbey, MS
SSG Ryan Scott Ostrom, PA
SSG Michael C. Ottolini, CA
PFC Kristian E. Parker, LA
SSG Saburant Parker, MS
SPC Gennaro Pellegrini Jr., PA
SGT Theodore L. Perreault, MA
SSG David S. Perry, CA
SGT Jacob Loren Pfingsten, MN
SGT Ivory L. Phipps, IL
CW2 Paul J. Pillen, SD
SGT Foster Pinkston, GA
SGT Darrin K. Potter, KY
SGT Christopher S. Potts, RI
SGT Lynn Robert Poulin, SR, ME
SPC Robert Shane Pugh, MS
SSG George Anthony Pugliese, PA
SPC Joseph Andrew Rahaim, MS
SPC Eric U. Ramirez, CA
PFC Brandon Ramsey, IL
SPC Christopher J. Ramsey, LA
SSG Jose Carlos Rangel, CA
SSG Johnathan Ray Reed, LA
SSG Aaron T. Reese, OH
SGT Gary Lee Reese Jr., TN
SPC Jeremy L. Ridlen, IL
CPL John T. Rivero, FL
SSG William Terry Robbins, AR
CPL Jeremiah W. Robinson, AZ
SSG Alan Lee Rogers, UT
PFC Hernando Rois, NY
SFC Daniel Romero, CO
SGT Brian Matthew Romines, IL
SFC Robert E. Rooney, MA
SPC David L. Roustrum, NY
SGT Roger D. Rowe, TN
SGT David Alan Ruhren, VA
CW4 William Ruth, MD

SPC Lyle Wyman Rymer II, AR
SGT Paul Anthony Saylor, GA
SFC Daniel Ronald Scheile, CA
SPC Jeremiah W. Schmunk, WA
SPC Bernard Leon Sembly, LA
SPC Jeffrey R. Shaver, WA
SGT Kevin Sheehan, VT
SGT Ronnie Lee Shelley, GA
SGT James Alexander Sherrill, KY
1LT Andrew Carl Shields, SC
SGT Alfredo Barajas Silva, CA
SGT Alfred Barton Silver, TN
SGT Isiah Joseph Sinclair, LA
SPC Roshan "Sean" R. Singh, NY
SPC Aaron J. Sissel, IA
1LT Brian D. Slavenas, IL
SGT Eric Wentworth Slebodnik, PA
SGT Keith Smette, ND
CW4 Bruce A. Smith, IA
CPL Darrell L. Smith, IN
SGT Michael Antonio Smith, AR
SPC Norman Kyle Snyder, IN
SGT Mike Takeshi Sonoda Jr., CA
SGT Patrick Dana Stewart, NV
SGT Michael James Stokely, GA
Maj Gregory Stone, ID
SPC Chrystal Gale Stout, SC
2LT Matthew R. Stoval, MS
SGT Francis Joseph Straub Jr., PA
SGT Thomas James Strickland, GA
WO1 Adrian Bovce Stump, OR
SSG Michael Sutter, MI
SGT Robert Wesley Sweeney III, LA
SGT Deforest L. Talbert, WV
SFC Linda A. Tarango-Griess, NE
SPC Christopher M. Taylor, AL
SGT Shannon D. Taylor, TN
MSG Thomas R. Thigpen, Sr., SC
SGT John Frank Thomas, GA
SGT Paul William Thomason, TN
1LT Jason Gray Timmerman, MN
SGT Humberto F. Timoteo, NJ
SPC Eric Lee Toth, KY
SPC Seth Randell Trahan, LA
SPC Quoc Binh Tran, CA
SGT Robert W. Tucker, TN
2LT Andre D. Tyson, CA
SPC Daniel P. Unger, CA
PFC Wilfredo Fernando Urbina, NY
SGT Michael A. Uvanni, NY
SGT Gene Vance Jr., WV
SGT Daniel Ryan Vamado, MS
1LT Michael W. Vega, CA
PFC Kenneth Gri Vonronn, NY
SSG Michael Scott Voss, NC
PFC Brandon J. Wadman, FL
SGT Andrew Peter Wallace, WI
SFC Charles Houghton Warren, GA
SFC Mark C. Warren, OR
SPC Glenn James Watkins, WA
SPC Michael J. Wedling, WI
SSG David J. Weisenburg, OR
SPC Cody Lee Wentz, ND
SPC Jeffrey M. Wershow, FL
SGT Marshall Westbrook, NM
SPC Lee Alan Wiegand, PA
1LT Charles L. Wilkins III, OH
SPC Michael L. Williams, NY
SFC Christopher R. Willoughby, GA
SSG Clinton L. Wisdom, KS
SPC Robert A. Wise, FL
SPC Michelle M. Witmer, WI
SGT Elijah Tai Wah Wong, AZ
SFC Ronald Tanner Wood, UT
SGT Roy A. Wood, FL



Lieutenant General H Steven Blum

Chief, National Guard Bureau

Chief, National Guard Bureau Executive Summary

This past year the National Guard demonstrated how superbly it simultaneously performs our dual missions, state and federal.

In August 2005, with more than 80,000 troops already mobilized for the global war on terror and faced with Katrina, a catastrophic hurricane, the Gulf Coast governors called upon the Guard. The Guard, the nation's preeminent military domestic response force, fulfilled our commitment to the governors and our neighbors. In spite of a massive wartime mobilization, the Guard mobilized and deployed the largest domestic response force in history. Soldiers and Airmen from all 50 states, the territories of Guam and the U.S. Virgin Islands, the Commonwealth of Puerto Rico and the District of Columbia deployed in record time in support of their Gulf Coast neighbors. Never before had every corner of America answered the desperate cry of our neighbors in such unison. Truly, when you call out the Guard, you call out America!

Guard forces were in hurricane affected neighborhoods rescuing people within four hours of Katrina's landfall. More than 11,000 Soldiers and Airmen were involved in rescue operations on August 31. The Guard mobilized and deployed, in support of rescue and recovery, an additional 19,000 troops in the following 96 hours. Guard participation peaked at over 50,000 personnel on September 7. More than 6,500 Guard men and women were in New Orleans alone by September 2, 2005. The National Guard responded in spite of massive overseas deployment of personnel and equipment in support of our federal mission.

No state, regardless of its size, can handle a natural or man-made catastrophe of the magnitude of a Katrina. Emergency Management Assistance Compacts allowed governors of affected states to immediately call upon another state's National Guard as reinforcements for recovery efforts. In 23 states, the Adjutant General also serves as the State Director of Emergency Management, State Director of Homeland Security, or both. This is an important aid in the coordination of the civil and military response.

The National Guard has undergone a total transformation in the past few years. The once ponderous Cold War strategic reserve transformed itself into an agile, lethal operational force capable of joint and expeditionary warfare—a uniquely flexible force simultaneously capable of responding to a broad range of civil and humanitarian crises.

The Guard serves our nation and communities across the full spectrum of domestic and warfighting missions. We fight narco-terrorism through our counterdrug programs. We work with our nation's youth through programs like StarBase and ChalleNGe to ensure they have a brighter future. We stand guard over America's critical physical and cyber infrastructure. Our Airmen fly the vast majority of air sovereignty missions over America's cities, while our Soldiers man air defense batteries in the nation's capital and the nation's sole ballistic missile interceptor site in Alaska. We conduct peacekeeping operations in Kosovo and the Sinai, stand watch aboard military cargo ships as they transit the Persian Gulf, guard prisoners in Guantanamo Bay, and train the Iraqi

and Afghan national armies. Joint and multinational training, exercises, humanitarian support and a variety of other missions have taken the Guard overseas to more than 40 nations on five continents last year alone.

The Guard stands more ready, reliable, essential and accessible today than at anytime in its near-four hundred years of existence. Since 9/11, we have been employed around the world and here at home as an operational force in a variety of contingencies. It is a role that the Guard was not structured to perform before 9/11. The Guard—with the exception of those units mobilized for war—is still under-resourced for many of the missions it now performs. Army Guard units in particular remain manned at Cold War levels, lack a robust cadre of full-time support personnel, and are equipped well below wartime requirements. Other vestiges of this Cold War construct, such as a needlessly-long mobilization process, continue to hamper the most efficient use of the Guard.

Our nation's reliance on the Guard is unprecedented at this stage in a major war. At one point in 2005, the Army National Guard contributed half of the combat brigades on the ground in Iraq. The Army's leadership has acknowledged that the Army could not sustain its presence in Iraq without the Guard. As of January 1, 2006, over 350 Guard men and women have given their lives while engaged in this global struggle.

Guard units bring more to the warfight than just Soldiers and Airmen. There is ample anecdotal evidence that the civilian skills Guard members possess make them exceptionally well suited for peacekeeping and nation building. An Iraqi policeman may have limited respect for an American Soldier who attempts to train him in the methods of civilian law enforcement. But, when that Soldier is a National Guardsman with 20 years of civilian experience as a police officer, that Soldier's credibility and impact as a trainer is vastly enhanced.

Guard support to the warfight is not limited to our role on the battlefield. The Guard's unique State Partnership Program continues to support Combatant Commander's Security Cooperation Plans and strengthen alliances with 50 allied nations around the world. This immensely successful program has grown from direct military-to-military exchanges to encompass military-to-civilian and ultimately civilian-to-civilian exchanges. Once again, the citizen Soldiers and Airmen of the National Guard are the bridge that allows this to happen, with their combination of military and civilian backgrounds providing a sterling example of how America has peacefully balanced military and civilian interests for well over 300 years.

National Guard units deployed to combat since September 11th have been the best-trained and equipped force in American history. The U.S. Army invested $4.3 billion to provide those units with the very best, state-of-the-art equipment.

This is an unprecedented demonstration of the Army's commitment to ensure that no Soldier, regardless of component (Active, Guard, or Reserve), goes to war ill equipped or untrained. With the help of the U.S. Congress, this was accomplished over a two-year period. It is now a reality for National Guard overseas combat deployments.

The Guard, since September 11th, has been well equipped for its overseas missions, and has demonstrated its Citizen-Soldier expertise across the full-spectrum of warfighting, peacekeeping, and security engagement with our allies. The response to Katrina, however, revealed serious shortcomings in the equipping of Guard units for Homeland Security and Defense. Guard units returned from the overseas warfight with a fraction of the equipment with which they deployed, leaving them far less capable of meeting training requirements, or more importantly, fulfilling their missions here at home.

The senior leadership of the U.S. Army has committed to re-equipping the Guard, the nation's first domestic military responders. The Army has a comprehensive reset plan that recognizes the Army National Guard's critical role in Homeland Defense (HLD) and support to Homeland Security (HLS) operations. This will take time and resources. I am confident that a real sense of urgency exists to make this a reality for America. The Guard currently has less than 35 percent of the equipment it requires to perform its wartime mission. We gratefully acknowledge the $900 million down-payment Congress made on resourcing our needs as an operational force for HLD/HLS and the overseas warfight, and recognize the full cost of restoring readiness will require continuing long-term Congressional attention.

Satellite and tactical communications equipment, medical equipment, utility helicopters, military trucks and engineer equipment are the Army Guard's highest equipment priorities. We must ensure that this equipment is identical to that required for wartime use, so that Guard units remain interoperable with their active component counterparts for both HLD/HLS and warfight operations. We also need to invest in an extensive non-lethal weapons capability for use in both domestic and overseas contingencies.

Two years ago, I committed to the governors, our state Commanders-in-Chief that the National Guard Bureau would provide each of them with sufficient capabilities under state control, and an appropriate mix of forces, to allow them to respond to domestic emergencies. I also promised to provide a more predictable rotation model for the deployment of their Army Guard Soldiers, along the lines already in place for Air Guard units participating in the Air and Space Expeditionary Force deployments.

The National Guard Bureau is committed to the fundamental principle that each and every state and territory must pos-

sess ten core capabilities for homeland readiness. Amidst the most extensive transformation of our Army and Air Forces in decades, we want to ensure that every governor has each of these "essential 10" capabilities: a Joint Force Headquarters for command and control; a Civil Support Team for chemical, biological, and radiological detection; engineering assets; communications; ground transportation; aviation; medical capability; security forces; logistics and maintenance capability.

The final 11 Civil Support Teams were organized this past year, giving every state and territory the capability of rapidly assisting civil authorities in detecting and responding to a Weapons of Mass Destruction attack. These are joint units, consisting of both Army and Air National Guard personnel.

Air Guard personnel in the Civil Support Teams are part of a larger trend. The National Guard has leveraged homeland defense capabilities from the Air Guard far beyond the now-routine mission of combat air patrols over our cities. Every state fields rapid reaction forces capable of quickly responding to a governor's summons, and in many cases these forces consist of Air Guard security police. The Air Guard also provides extensive HLS capabilities with its communications, ground transportation, and chemical-biological-radiological detection units.

The civil engineering capabilities of Air Guard RED HORSE (Rapid Engineer Deployable Heavy Operational Repair Squadron Engineer) teams and the medical capabilities of Air Guard Expeditionary Medical Support (EMEDS) systems proved extremely valuable in responding to Katrina. We are examining fielding these capabilities on a regional basis for more rapid response to future disasters.

Our 12 regional Chemical, Biological, Radiological, Nuclear and high-yield Explosive (CBRNE) Enhanced Response Force Packages (CERFP) provide mass casualty decontamination, medical treatment, security and urban search and extraction in contaminated environment capabilities in addition to the special skills of the Civil Support Teams. These units are not dedicated solely to Homeland Defense, but are existing warfighting units that have been given a powerful new HLD capability by virtue of modest amounts of additional equipment and training. This program, a concept only two years ago, has already placed 12 certified force packages on the ground, with Congress authorizing an additional five in the fiscal year 2006 Defense Appropriation. It is now an important part of the Guard's increasingly sophisticated Homeland Defense capability.

The Guard has fielded six regional Critical Infrastructure Program—Mission Assurance Assessment (MAA) teams to conduct vulnerability assessments of Department of Defense critical infrastructure. These teams conduct force protection training and plan for emergency response to a terrorist attack or natural disaster striking our critical infrastructure. Four more teams will be fielded in fiscal year 2006. These specialized capabilities are available to any state or region, along with traditional Guard forces should they be needed.

The most critical transformation the National Guard has undergone since 2001 has been in the Joint Forces Headquarters in each state, territory, and the District of Columbia (JFHQ-State). What used to be the State Area Command (STARC) and Air Guard State Headquarters, administrative organizations for peacetime control of units, has developed into a sophisticated headquarters and communications node capable of assuming command and control of units from all services and components when responding to a domestic emergency. Tested and proven during multiple National Special Security Events in 2004, these headquarters were further validated this past year by hurricanes Katrina and Rita.

These headquarters, now operated on a continual 24/7/365 basis, must be linked together to provide robust capabilities to share secure and non-secure information within the State or Territory, to deployed incident site(s), and to other DoD and inter-governmental partners engaged in support of Homeland Defense and Defense Support to Civil Authorities missions. To support these needs in the near-term, NGB has fielded 13 rapid response communications packages—the Interim Satellite Incident Site Communications Set (ISISCS)—that are regionally-based, and which proved absolutely vital when the entire domestic communications infrastructure in the Gulf Coast region of the United States went down during Hurricane Katrina. To satisfy the full range of required Command and Control, Communications, and Computer (C4) capabilities, NGB and U.S. Northern Command have collaborated on the Joint Continental U.S. Communications Support Environment (JCCSE) construct. When fully implemented, the JCCSE will provide U.S. Northern Command, U.S. Pacific Command, the National Guard Bureau, each Joint Force Headquarters-State, and our inter-governmental partners with the vital C4 capabilities and services to support continuous and accurate situational awareness of operational capabilities at the State or Territory and incident levels; enhanced information sharing and collaboration capabilities to facilitate mission planning, resourcing, and execution; and a fully integrated trusted information sharing and collaboration environment to facilitate coordination and unity of effort.

Today we are taking on the challenge of responding to a potential flu pandemic that could challenge domestic tranquility like no other event since the Civil War. The forward deployed JFHQ-State are the only existing organization with the intrinsic capabilities, knowledge of local conditions and realities, geographic dispersion, resources and experience to coordinate the massive state-federal response that would be required in a pandemic of the predicted magnitude. Aided by the JCCSE communica-

tions backbone, the headquarters can assist civil authorities as they share a common operating picture, request and coordinate specialized regionally-based response forces, and receive follow-on forces from other states, federal reserve forces, or active duty forces.

The Guard must continue to transform in order to maintain our status as a fully operational reserve of the Army and the Air Force, while at the same time increasing our ability to respond to terrorist attack or natural disaster at home. We must also continue to commit ourselves to recruiting and retaining a quality force capable of meeting these challenges for decades to come.

Seventy-four percent of the Army National Guard's units are impacted by the U.S. Army's conversion to a modular force structure. The Army National Guard contribution to the modular total force includes 34 Brigade Combat Teams, six Fires Brigades, 10 Combat Support Brigades (Maneuver Enhancement), 11 Sustainment Brigades, 12 Aviation Brigades, an Aviation Command and three Sustainment Commands. These units are identical in structure to those in the active component, and, when resourced like their active counterparts, will allow a seamless transition between active and reserve forces in combat with minimal time required for train up.

However, to make the Guard's units truly interchangeable, we must man them like the active Army, with an overhead allotment for trainees, transients, holdees, and students. Otherwise, we are forced to continue the debilitating practice of stripping other units of personnel whenever we mobilize a unit for war. In the same way, our fulltime manning levels are also based on a Cold War construct, and assume that our units will have ample time to make up for a lack of readiness after mobilization. Cold War era manning levels limit the Guard's ability to perform as a modern, operational force.

The National Guard continues to engage with Joint Forces Command and the Army to transform the lengthy and redundant mobilization process for Army Guard units, one of the last vestiges of our Cold War military construct. The no-notice deployment of 50,000 Guard members to the Gulf Coast for Hurricane Katrina, as well as the fact that over half of all current Army Guard members had been previously mobilized, makes the argument for streamlining mobilization more powerful than ever before in our 369 year history.

The Air National Guard will continue to leverage its existing capabilities as it evolves to remain a full partner in the Future Total Air Force plan. The response to Hurricane Katrina reaffirmed the critical need for intra-theater airlift. The unprecedented, timely response would have been impossible without the Air Guard's airlift.

The Base Realignment and Closure process removed the last flying unit from some states. Though the Air National Guard is expanding in such non-flying missions as intelligence, security police, and unmanned aerial vehicles, it is impossible to maintain a healthy, balanced Air National Guard structure in any state without some manned aircraft. The National Guard Bureau is entrusted to allocate Guard units among the states, and working together with the Air Force and Air Force Reserve, I will attempt to maintain manned aircraft in every state, territory, and the District of Columbia.

The Air National Guard is at full strength, with retention and recruiting programs to fill the ranks. The Army National Guard has turned the corner and has begun to increase in strength due to the increases in bonuses and the funding of new recruiters authorized by Congress in 2004. However, we can do more to strengthen recruiting. Historically, Guard units enjoy close camaraderie because they are built around a network of Soldiers and Airmen who actively recruit their friends and family into their units. We acknowledge and encourage this powerful source of strength by promoting both the Guard Recruiting Assistance Program (G-RAP) and the "Every Soldier a Recruiter" (ESAR) initiatives, rewarding Guard members who make the extra effort to bring new enlistees into their units and sponsor them through the initial entry process.

Retention of current Guard members, particularly those in units returning from overseas, is well above pre-September 11th levels. Nevertheless, we must remain aware of the negative impact that our most critical need—lack of equipment—has on our ability to recruit and retain Soldiers. Morale suffers when Soldiers cannot train for their wartime or domestic missions for lack of equipment.

Our priorities this year to maintain a vibrant, capable and agile National Guard are recruiting and retention bonuses and initiatives, equipment reset and modernization and obtaining critical domestic mission resources. Our nation's future security mandates that the Guard continues to transform to meet challenges both at home and abroad.

Critics maintain that more than four years of continuous service at home and abroad have stressed the National Guard to the breaking point. I emphatically disagree. Morale in the National Guard is superb. We fight a fanatical enemy overseas that has already demonstrated his desire to destroy our families and our nation. At home, the gratitude our nation displayed to its Army and Air National Guard in the wake of hurricanes Katrina and Rita has been invigorating. We understand the mission and purpose for which we have been called.

We have been, and we remain, America's minutemen—*Always Ready, Always There!*

Lieutenant General Clyde A. Vaughn

Vice Chief, National Guard Bureau and Director, Army National Guard

"Serving a Nation at War: At Home and Abroad"

Message from the Director

During fiscal year 2005, the nation saw Army National Guard Soldiers at their best and busiest: fulfilling dual roles as citizens and Soldiers and responding frequently to the "call to duty." Our Soldiers have been noticeably involved in operations both at home and around the world. In Iraq and Afghanistan, they continue to aid in the transition and struggle for a healthy democracy. Along the Gulf Coast after Hurricanes Katrina and Rita, Soldiers performed thousands of rescue and recovery operations. Across the nation, they continue to support communities and citizens in need. In fiscal year 2005, the National Interagency Fire Center responded to over 54,000 wild land fires that threatened over 8 million acres; the National Guard participated in a large proportion of these alerts. Citizen-Soldiers continued to guard key assets and responded to Governors' requests in support of state emergencies.

Use of Army National Guard units in domestic and foreign contingencies continued in record-setting numbers throughout fiscal year 2005 with increased participation in areas of military support to civilian authorities, state active duty, counterdrug operations, and force protection. During Operation Winter Freeze (November 2004 through January 2005), the National Guard and active component Title 10 forces, in support of the U.S. Border Patrol, prevented illegal alien access along a 295-mile stretch of the U.S.-Canadian border. During the mission, the National Guard exposed three terrorist smuggling organizations.

Following the best traditions of the Army National Guard, all 54 states and territories engaged in one or more of the following operations: Operation Iraqi Freedom, Operation Enduring Freedom, Operation Noble Eagle, Operation Winter Freeze, Operation Unified Assistance (Tsunami Relief), Hurricane Recovery Operations for Katrina, Rita and Wilma, Stabilization Force Bosnia, Kosovo Force, Horn of Africa, Multi-National Force Observers, Guantanamo Bay Operations, Force Protection Europe, and numerous other missions. As we enter the fifth year of the Global War on Terrorism, we anticipate a slight downward trend in Overseas Continental United States (OCONUS) operations. We face some critical shortages that must be addressed over the coming year to ensure we continue to accomplish our missions.

This Posture Statement presents an opportunity to detail Army National Guard plans to ensure our nation's defense, meet our strategic and legislative goals and transform to meet tomorrow's challenges. The Chief of the National Guard Bureau established our fiscal year 2006 priorities to Defend the Homeland, Support the Warfight and Transformation for the Future.

The Army National Guard balances its status as an integral element of the United States Army with its duty to serve the Governors and the people of our communities. Citizen-Soldiers represent thousands of communities across America. These Soldiers bring with them real world experience and provide capabilities to address both Homeland Security/Defense and overseas conflicts.

The Army National Guard remains committed to completing the transformation from strategic reserve to operational force capable of both supporting the warfight and serving the Governors. We are able to maintain this commitment because of the continued dedication of our Soldiers, support from our families and the resources provided by Congress.

Homeland Defense: Here and Abroad for over 369 Years

Prepared and Ready

The Army National Guard continued to provide forces for domestic missions throughout fiscal year 2005, particularly in the areas of disaster relief, state active duty, counterdrug operations, and force protection. In a major contribution to the Global War on Terrorism, the Army National Guard provided key asset protection for much of the nation. Readiness concerns such as full-time manning, recruiting, retention, and modernizing our ground and air fleets are the top priorities for the Army Guard in today's geostrategic environment.

As the Global War on Terrorism continues, the Army National Guard will continue to meet the Army's requirements to protect our national interests, prevent future acts of terrorism, and meet Governors' requests to respond to state emergencies. However, some critical shortages still exist in the Guard structure and impose challenges to meet these requirements such as the accurate reporting of readiness.

The Department of Defense has mandated the use of the Defense Readiness Reporting System. This action will impose readiness reporting challenges on the Army National Guard as it transitions to meet this requirement. This reporting system is a web-based readiness program that can provide a real time assessment of a unit's capability to execute its wartime or assigned missions. This allows the Office of the Secretary of Defense, Combatant Commands, and the Services direct access to unit readiness assessments.

Full-Time Support

Fighting the Global War on Terrorism underscores the vital role Full-Time Support personnel hold in preparing Army National Guard units for a multitude of missions both at home and abroad. Full-Time Support is a critical component for achieving soldier and unit-level readiness. Full-time Army National Guard Soldiers maintain responsibility for organizing, administering, instructing, training, and recruiting new personnel, and maintenance of supplies, equipment, and aircraft. Full-Time Support personnel are key to a successful transition from peacetime to wartime, as well as a critical link to the integration of the Army's components: Active, Guard, and Reserve. To meet the heightened readiness requirements of an operational force, the Chief, National Guard Bureau, in concert with the State Adjutants General, placed increasing Full-Time Support authorizations as the number one priority for the Army National Guard.

The current Full-Time Support ramp received approval before 9/11. Although this ramp up was a step in the right direction it proved only marginally acceptable while the Army National Guard served as a strategic reserve. Following 9/11, the Army National Guard converted to an operational force mobilizing more than 240,000 Soldiers in support of the Global War on Terrorism. At the height of our mobilizations, the Army Guard deployed over 9,000 full-time support personnel. With fiscal resources only capable of backfilling the Active Guard Reserve at a 1:3 ratio and the Military Technicians at a 1:5 ratio, the burden on our Full-Time Soldiers reached an all time high. As a result, the Army National Guard witnessed an increase in the attrition of our full-time force by over 40 percent.

While we made progress in recent years to increase Full-Time Support, obstacles remain in obtaining acceptable full-time levels. Emerging and expanding Army National Guard missions must receive resources above those identified in the Full-Time Support ramp. Increased full-time resources are necessary to achieve acceptable unit readiness. It is critical we increase Full-Time Support in the near term to a minimum of 90 percent of the total validated requirement. This increase will ensure the highest levels of Combat Readiness (C1) and Personnel Readiness (P1) for Army National Guard units in the future.

Protecting the Homeland

National Guard Soldiers assisted civil authorities, established law and order, conducted disaster relief operations, and provided humanitarian assistance and force protection after two major hurricanes struck the Gulf Coast and flooded the city of New Orleans. The National Guard responded by surging more than 50,000 Soldiers and Airmen into the areas devastated by the successive impacts of Hurricanes Katrina and Rita. These Citizen-Soldiers provided much needed relief to the citizens and support to the local authorities. The operation was the largest domestic support mission in the nation's history.

Training for the Future

The Army Guard continued to provide battle focused and mission essential training to units preparing to defend the nation. Units preparing to deploy to Operations Iraqi Freedom and Enduring Freedom and other theaters rotated through the National Training Center, the Joint Readiness Training Center, and the Battle Command Training Center. Army Guard units also participated in major U.S. and overseas Joint Chiefs of Staff sponsored exercises, domestic support operations, conducted overseas deployments for training and operational support, as well as performing numerous small unit training exercises.

The Army National Guard worked with U.S. Army Forces Command and Headquarters, Department of the Army in the development of an Army Force Generation Model. This model provides predictability of forces available and ready for operational deployments. It is also a paradigm shift, as it changes unit resourcing from a tiered approach to a time sequenced approach based on when a unit is expected to deploy. The Army National Guard developed improved training models that increase resources and training events to produce readiness leading up to a unit's expected deployment availability. This new paradigm also makes deployments more predictable for Guard Soldiers, their families and employers.

The training priority for the Army National Guard is preparation of combat-ready Soldiers so that lengthy post-mobilization training can be avoided. As a result of the increased emphasis on ensuring our Soldiers are combat ready, the Army National Guard Duty Military Occupational Specialty Qualification rate for fiscal year 2005 was 92.29 percent (excluding those Soldiers on their Initial Entry Training). This high qualification rate was achieved through the implementation of the phased mobilization process. This allowed Army National Guard Soldiers who lacked the requisite training to complete their individual training while in the early stages of mobilization before they were deployed.

Keeping the Force Strong: Recruiting and Retention

Recruiting and retention goals have proven to be challenging during wartime. The Army Guard increased the numbers of recruiting and retention NCOs from 2,700 in fiscal year 2004 to 4,600 by the end of fiscal year 2005, an increase of 1,900. The Army Guard plans to add an additional 500 in the first quarter of fiscal year 2006 for a total of 5,100 recruiters. Many steps were taken in 2005 to assist in meeting our end strength missions. The Army Guard increased enlistment bonuses to $10,000, increased the reenlistment bonus to $15,000, and increased the prior service enlistment bonus to $15,000. We also increased retention bonuses from $5,000 to $15,000. These steps, as well as an increased recruiting and retention force, had positive effects and will posture the Army Guard for continued success in the future.

The Guard Recruiting Assistance Program has produced remarkable gains in recruiting for the Army National Guard since its inception as a pilot program in late 2005. In its first 60 days, operating in 22 states, the program has trained more than 19,000 Active Recruiting Assistants and is processing more than 6,000 potential soldiers. Over 1,000 new accessions have already been produced, and the program will be expanded to every state by March, 2006. The program is an adaptation of our civilian contract recruiting programs that allows the contractor to train local recruiting assistants—currently primarily traditional Guardsmen—who often serve in the same units and act as sponsors for the new recruits.

The Every Soldier a Recruiter program is a separate brand-new congressionally authorized referral program that will reward soldiers, including soldiers on active duty and military Technicians, who provide quality leads of non prior service recruits who join the active Army, Guard or Army Reserve.

Congressionally directed end strength for fiscal year 2005 was 350,000 Soldiers for the Army National Guard. The actual end of year strength was 333,177 Soldiers (296,623 enlisted and 36,554 officers). Although below the target, we experienced three consecutive months of net gains in end strength to finish the year, the first time in 24 months, and we have thus-far exceeded our goals for fiscal year 2006 in each month since the year started. The accession program's goal was 67,000 Soldiers (63,000 enlisted and 4,000 officers) for fiscal year 2005. The programmed attrition rate was 18.0 percent, and the non-prior service/prior service accession ratio was 60:40. At the end of fiscal year 2005, we exceeded our goal for prior service accessions by 104 percent, but fell short in the non-prior service category by 67 percent, thus making the actual fiscal year 2005 accession ratio 55:45 non-prior service/prior service. Command emphasis in the areas of attrition and retention kept the loss rate for fiscal year 2005 at 19.1 percent, slightly above the program goal of 18 percent. Considering the unprecedented Army Guard mobilizations and deployments, this was an admirable achievement.

Retention of those already in the Army National Guard was superb. The first term Soldier reenlistment goal was 8,945 Soldiers, but reenlistments were 9,107 for 101.8 percent of the goal. The Careerist Reenlistment goal was 23,626 Soldiers and the actual reenlistments were 24,697 Soldiers for 104.5 percent of the goal. The overall retention achievement for the Army National Guard in fiscal year 2005 was 103.8 percent.

The No Validated (No-Val) Pay rate for 2005 was only 1.8 percent. A Soldier's name will appear on the non-validated pay report when that Soldier fails to attend training and has not been paid within the last 90 days. The fact that the No-Val rate is at an all-time low demonstrates that Soldiers who stay in the Army National Guard value their membership and want to remain active participants.

Environmental Programs

The Army National Guard Environmental Program manages resources to foster environmental quality and maintain compliance with all applicable federal, state, and local environmental requirements. The fiscal year 2005 Environmental, Operations, and Maintenance Appropriation was adequate to fully fund all critical environmental compliance, conservation, and pollution prevention projects. Fiscal year 2005 environmental restoration funding provided to the Army Guard was adequate to accomplish minimum essential cleanup requirements.

Army National Guard training lands are the cornerstone of trained and ready Soldiers. Evolving transformation actions require that we maximize our maneuver and firing range capabilities over the existing 2 million acres of Army National Guard training lands and mitigate the effects of encroachment from suburban sprawl. Through coordination with surrounding communities and the use of legislative authority, the Army National Guard was able to partner with private, local and state organizations for acquisition of easements to limit incompatible development in the vicinity of its installations

Support the Warfighter Anytime, Anywhere

The Citizen-Soldier: Defending the Nation

From July 2002 through September 2005, overall unit readiness decreased by 41 percent in order to provide personnel and equipment to deploying units. Personnel, training, and on hand equipment decreased between 18 and 36 percent while equipment readiness declined by 10.1 percent during the same period. Despite declines in the areas of personnel and equipment due to increased mobilizations, deployments, and funding, the Army National Guard met all mission requirements and continued to support the Global War on Terrorism. From September 11, 2001 through September 2005, the Army National Guard deployed over 69 percent (325,000) of its personnel in support of the Global War on Terrorism, homeland defense, and state missions.

Equipping the Force

The Army National Guard established funding priorities based on the Army Chief of Staff's vision for modernizing the total force core competencies. The Army National Guard's focus is to organize and equip current and new modularized units with the most modern equipment available. This modernization ensures our ability to continue support of deployments, homeland security and defense efforts while maintaining our highest war fighting readiness. Although all shortages are important, the Army National Guard is placing special emphasis on "dual use" equipment such as the Family of Medium Tactical Vehicles, channel hopping Single Channel Ground and Airborne Radio System (SINCGARS), Joint Network Node, and Movement Tracking System. Filling these shortages ensures interoperability with the active force and increases the Army National Guard's ability to respond to natural disasters or in a homeland defense role.

This requires the Rapid Fielding Initiative to equip our Soldiers with the latest gear, such as body armor, night vision devices and small arms. Additionally, it requires a steady flow of resources to the Army National Guard to mitigate shortages caused by lack of past resourcing, force structure changes, and the heightened importance of homeland security.

Intelligence Operations

Army National Guard Military Intelligence units and personnel continue to play a vital role in the Global War on Terrorism, and are deployed worldwide to support critical tactical, operational, and strategic intelligence operations. Army Guard personnel are supporting mission critical areas in Human Intelligence, Signal Intelligence, Measurement and Signatures Intelligence, Imagery Intelligence and Open Source Intelligence. Army National Guard linguists are engaged in document exploitation, translation and interpretation within the Department of Defense, such as the National Security Agency, as well as other federal agencies. More importantly, Army National Guard Military Intelligence units are deployed at the tactical level with each Army National Guard combat division and brigade providing critical and timely intelligence on the battlefield.

Information Operations

The Army National Guard continues to provide a number of Full Spectrum Information Operation Teams in support of a broad range of Army missions and contingency operations. Army National Guard Information Operations Field Support Teams provide tactical, operational and strategic planning capabilities at all echelons of the Army. Army Guard Brigade

Combat Teams deploy to all theaters with organic information operations cells that provide support and coordination at all levels of military planning and execution. Army Guard Computer Emergency Response Teams and Vulnerability Assessment Teams provide technical expertise, information assurance assessments and certification compliance inspections of critical Wide Area and Local Area networks for Army installations worldwide.

Innovative Readiness Training

The Innovative Readiness Training program highlights the Citizen-Soldier's role in support of eligible civilian organizations. This program provides real-world, joint training opportunities for Army National Guard Soldiers within the United States. The projects provide ancillary benefits to the local communities in the form of construction projects or medical services to underserved populations.

More than 7,000 Soldiers and Airmen from across the United States and its territories participate annually in Innovative Readiness Training sponsored projects. Army National Guard projects include:

- Operation Alaskan Road, a joint, multi-year fifteen mile road construction project on Annette Island, Alaska
- Expansion and improvement of the Benedum Airport infrastructure in Clarksburg, West Virginia
- Task Force Grizzly, Task Force Diamondback and Task Force Lobo continue to improve existing road networks and build barrier fencing in support of the U.S. Border Patrol in California, Arizona and New Mexico
- The South Carolina Guard's REEFEX project. REEFEX uses decommissioned Army vehicles to create artificial reefs in the Atlantic Ocean off the coast of New England and South Carolina.

Training the Nation's Warfighter

The Army National Guard's unique condition of limited training time, dollars and, in some cases, difficult access to training ranges, demands an increased reliance on low cost, small footprint training technologies. Quick response by the Army National Guard to our nation's missions requires a training strategy that reduces post mobilization training time. New virtual technologies and simulators therefore become critical tools to help the Army National Guard maintain a ready operational force. Some of these training systems are:

- The Virtual Convoy Operations Trainer. This is a simulation aid specifically adapted for current operations in Iraq and Afghanistan. It is funded with a combination of Congressional add-ons and National Guard Reserve Equipment Appropriation funds. The Army Guard placed 14 trainers under contract and fielded eight in fiscal 2005; the remaining six will be fielded in fiscal year 2006.
- The Advanced Bradley Full Crew Interactive Skills Trainer virtual gunnery system. This is a low cost, deployable training system that appends directly to the Bradley Fighting Vehicle and enhances home station training in advance of a live fire event.
- The Engagement Skills Trainer 2000. This system simulates weapons-training events. These trainers provide initial and sustainment marksmanship training, static unit collective gunnery tactical training and shoot/don't shoot training. Soldiers use this trainer primarily for multipurpose, multi-lane, small arms, crew-served and individual anti-tank training simulation. The trainer simulates day and night, as well as Nuclear, Biological and Chemical marksmanship and tactical environments.
- The Laser Marksmanship Training System simulates weapons training events that lead to live fire qualifications for individual and crew served weapons. This system allows the Soldier to use their own personal weapons to conduct individual and sustainment marksmanship training using Nuclear, Biological and Chemical equipment.
- The eXportable Combat Training Capability. This capability allows us to take the Maneuver Combat Training Center environment to the unit. We are able to tailor this training to meet any operational focus from the conventional warfight to the contemporary operational environment in Iraq and Afghanistan. The eXportable Combat Training Capability, along with traditional Maneuver Combat Training Center rotations, will provide units with "final exam" certification as required by the Army Force Generation model prior to deployments.

Information Technology

The Army National Guard successfully increased the bandwidth and provided a secure data link to the Joint Force Headquarters in each of the 50 states, Commonwealth of Puerto Rico, two U.S. Territories, and the District of Columbia. The Army Guard's modern wide-area network provides improved redundancy and increased network security.

Transformation for the 21st Century: Ready, Reliable, Essential and Accessible

Ground-based Midcourse Defense

Defending against ballistic missile attack is a key component of the National Security Strategy for Homeland Defense. In the initial defensive operations phase, the Army National Guard plays a major role in this mission as the force provider for the Ground-based Midcourse Defense system. We have assigned Active Guard-Reserve manpower to support this new role. The Ballistic Missile Defense program is dynamic—undergoing constant refinement and change.

Soldiers assigned to Ground-based Midcourse Defense perform two missions:

- **Federal Military Mission**—The federal military mission is to plan, train, certify, secure, inspect, coordinate, and execute the defense of the United States against strategic ballistic missile attacks by employing this system; and
- **State Military Mission**—In accordance with Title 32, the state military mission is to provide trained and ready units, assigned personnel, and administrative and logistic support.

Logistics and Equipment

The Army National Guard continues modernization to the digital force with the emerging technologies that will dramatically improve logistical support for these systems, substantially reduce repair times, increase operational readiness rates and eliminate obsolete and unsustainable test equipment. Use of these technologies allows the Army Guard to operate heavy equipment at a higher operational rate while reducing the overall costs for these systems.

The Army National Guard currently has a significant portion of the Army's maintenance infrastructure. This Cold War infrastructure is expensive and redundant. Under the Army's new maintenance strategy, the Army Guard and other Army elements are consolidating maintenance systems. This enhances maintenance and improves efficiency. Army maintenance personnel now effectively diagnose and maintain equipment at two maintenance levels instead of four.

2007 Equipment Modernization Shortfalls in the Army National Guard

- High Mobility Multi-Purpose Wheeled Vehicles
- Single-Channel Ground and Airborne Radios
- Helicopters
- Night Vision Devices
- Medium and Heavy Tactical Trucks

Personnel Transformation

The human dimension of Army National Guard transformation is the crucial link to the realization of future capabilities and to the enhanced effectiveness of current capabilities. Transformation of human resource policies, organizations, and systems will enhance Army National Guard ability to provide force packages and individuals at the right place and time. Future web-based systems will integrate personnel and pay, provide accurate human resource information for commanders, and give Soldiers direct access to their records. Evolving current systems such as Standard Installation Defense Personnel System and the Reserve Component Automation System applications extend current capabilities and enhance readiness, providing support for development of an electronic record brief and automated selection board support.

Aviation Transformation and Modernization

Army National Guard aviation completed 109 percent of the flying hours projected for fiscal year 2005, an average of 9.9 aircrew flying hours per month–the highest level since 1996. During fiscal year 2005, an average of 307 aircrews were deployed each month in support of Operations Noble Eagle, Enduring Freedom, the Balkans (Kosovo Force and Stabilization Force Bosnia), and Operation Iraqi Freedom.

Army National Guard aircrews flew more than 94,000 hours this past year in support of the Global War on Terrorism. This is a 58 percent increase over fiscal year 2004. More than 245,000 hours were flown in support of the Army Guard missions for homeland security, training, counterdrug, and combat operations. Despite the fact that 30 percent of the Army National Guard aviation force structure was deployed, the Army aviation transformation process continued. As aircraft were redistributed to modernize units, aircrew qualification and proficiency training was accelerated to meet emerging deployments.

On the home front, the Army National Guard aviation community continued to support domestic contingencies by flying over 7,485 missions, transporting nearly 62,117 civilians to safe havens, and transporting Army National Guard Soldiers to hurricane-ravaged zones. Support aircraft were flying recovery and relief missions in Louisiana within four hours of Katrina's passage. In addition to moving approximately 7,300 tons of equipment, food, sandbags, and life saving supplies, we rescued almost 16,000 of our citizens during Hurricane Katrina and Rita relief and recovery efforts. At the peak of the relief and recovery efforts, the Army National Guard had 151 aircraft on station supporting Louisiana and Mississippi.

In Texas after Hurricane Rita, the Army National Guard flew 185 missions, transported 117 civilian and military personnel, moved 31 tons of supplies, and conducted 19 rescue or life-saving missions. Aviation assets from 28 states rallied to support Louisiana, Mississippi, and Texas in their relief and recovery efforts after Katrina and Rita. A total of 5,341 flight hours have been flown since August 2005.

The Army National Guard aviation force continues modernizing, but at a pace much slower than originally planned by the Army prior to the onset of combat operations in Afghanistan and Iraq. Associated aircraft losses and the continuing need for more operational aircraft in theater slowed aircraft transfers from the active Army. This is especially true for the critically needed UH-60-Blackhawk helicopter (the bulk of the Army Guard's aviation force). An expanded summation of Army National Guard aviation assets and requirements are listed below:

- **Utility and Air Ambulance Aircraft.** The total Army National Guard requirement of 710 H-60 aircraft (530 UH-60 Blackhawk utility and 180 HH-60 MedEvac) continues to be the most critical shortfall area, with only about 620 H-60 series on hand. This shortage of 90 of our most versatile aircraft for the warfight remains a pressing concern. In addition, the lighter portion of the Army Guard utility fleet remains equipped with Vietnam-era UH-1H/V (Huey utility helicopter) and OH-58A/C (Kiowa observation helicopter) aircraft pending the scheduled procurement and delivery of 204 UH-xx Light Utility Helicopters in the fiscal years 2008-2013 timeframe.
- **Cargo Aircraft.** The situation remains unchanged from previous years, with the Army Guard equipped with 131 of its required 159 CH-47 Chinook heavy cargo helicopters. This shortage is projected to continue until the fiscal year 2014 timeframe.
- **Attack Aircraft.** While the inventory of Army National Guard attack aircraft has almost reached the interim objective of 174, the overall Army shortage of AH-64 Apaches will continue to keep the Army National Guard 48 aircraft below the full requirement of 222. This shortage is apportioned equally among the six attack battalions in the Aviation Expeditionary Brigades within our divisions.
- **Reconnaissance Aircraft.** This is a small portion of the scheduled Army National Guard fleet and we will remain equipped at the 80 percent level (24 of 30 OH-58D) for several more years.
- **Fixed-wing Aircraft.** The Army plan to reshape its fixed-wing force from primarily utility aircraft to primarily cargo aircraft continued to move forward, and source selection for the C-xx Future Cargo Aircraft is for last quarter of fiscal year 2006. The requirement remains for a fleet of 128 C-xx's, of which 88 are slated for the National Guard. The initial buy will provide sufficient C-xx aircraft to support 24 aircraft being fielded to the Army Guard.
- **Unmanned Aircraft Systems.** The SHADOW tactical Unmanned Aircraft System is being fielded to both Active and Army National Guard Brigade Combat Teams on an accelerated basis. The Army National Guard has a requirement for 36 SHADOW systems (one for each of our 34 Brigade Combat Teams and two Training Brigades). Twelve systems are currently funded by a combination of Army procurement and supplemental funding. If this positive trend continues, then all Army National Guard SHADOW requirements may be filled within current program funding.

Training in "One Army"

Training centers support our ability to conduct performance-oriented training under real world conditions. The Army National Guard modernizes and restructures to effectively meet evolving warfighting requirements. We face a number of continuing challenges in sustaining power support platforms and modernizing Army National Guard live fire ranges and range operations for the Pennsylvania Guard's Stryker Brigade Combat Team. The Army National Guard will consolidate range and training land investment documentation under the Sustainable Range Program.

The Army National Guard achieves training excellence by leveraging Distributed Learning. Distributed Learning improves unit and Soldier readiness by increasing access to training resources and

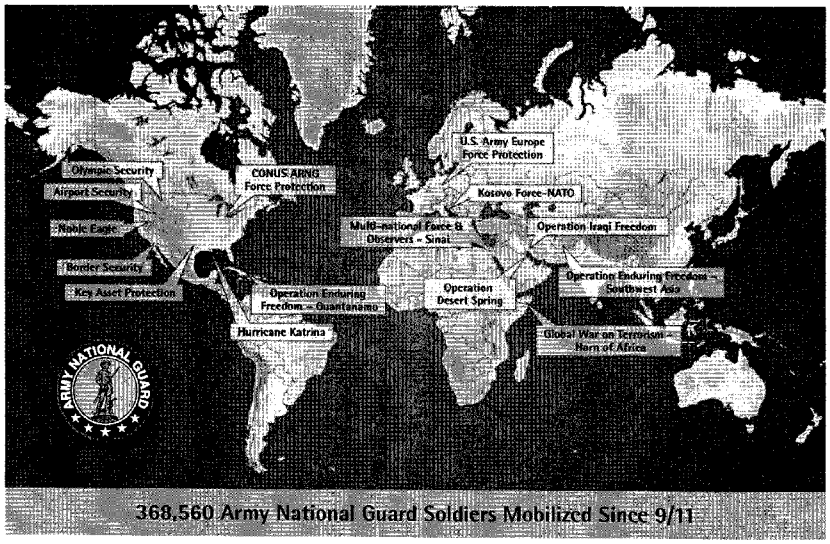
reducing unnecessary time away from the home station. Interactive Multimedia Instruction courseware, satellite programming and distance learning offer needed instruction in such areas as Military Occupational Skill Qualification reclassification for Soldiers and units.

Summary

The Army National Guard engages in a full spectrum of civil-military operations. Our Soldiers represent every state, territory, and sector of society. Today, they represent their nation serving honorably throughout the world. In these critical times, the Army National Guard must maintain readiness. A vital part of the Army's force structure, the Army Guard remains a community based force committed to engage in overseas missions while protecting and serving our cities and towns. The Army National Guard proves itself capable of carrying out its goals of supporting the Warfight, defending the Homeland and transforming into a ready, reliable, essential and accessible force for the 21st century.

The National Guard is foremost a family. This year we remember the spirit and sacrifice of Guard families who lost homes and loved ones during the Gulf Coast hurricane season. For his selfless service responding to Hurricane Katrina, we honor the memory of

Sergeant Joshua E. Russell
Detachment 1, Company A,
890th Engineer Battalion



368,560 Army National Guard Soldiers Mobilized Since 9/11

Lieutenant General Daniel James III

Vice Chief, National Guard Bureau and Director, Air National Guard

Message from the Director

What an incredible year this has been for the nation and the Air National Guard! The Air Guard continues to serve with distinction at home and abroad. At home, the Hurricane Katrina relief effort brought into sharp focus our role as America's Hometown Air Force. We flew over 3,000 sorties, moved over 30,000 passengers, and hauled over 11,000 tons of desperately needed supplies. Air Guardsmen saved 1,443 lives—heroically pulling stranded Americans off rooftops to safety. Air National Guard medical units treated over 15,000 patients at eight sites along the Gulf Coast, combining expert medical care with compassion for our fellow Americans.

Abroad, the Air Guard brings the will of the American people to the Global War on Terrorism. The Air Guard fulfills 34 percent of the Air Force's missions on 7 percent of the Air Force's budget, a definite bargain in fiscally constrained times. Our contributions over the past four years have been tremendous. Since September 11, 2001, we've mobilized over 36,000 members and have flown over 206,000 sorties accumulating over 620,000 flying hours. One-third of the Air Force aircraft in Operation Iraqi Freedom were from the Air Guard. We flew 100 percent of the Operation Enduring Freedom A-10 missions and 66 percent of the Iraqi Freedom A-10 taskings. We accomplished 45 percent of the F-16 sorties. The A-10s flew more combat missions in the Iraqi war than any other weapon system.

We flew 86 percent of the Operation Iraqi Freedom tanker sorties. We accomplished this primarily through the Northeast Tanker Task Force. In keeping with our militia spirit, that task force was initially manned through volunteerism. A total of 18 units supported it; 15 were from the Air National Guard.

Air National Guard Security Forces were the first security forces on the ground in Iraq. Intelligence personnel have been providing unique capabilities for Central Command and organizational support for the U-2, Predator, and Global Hawk. Medical personnel have been using the new Expeditionary Medical Support system capability, providing critical care to the warfighter. Civil Engineers have built bare bases in the desert and trained Iraqi firefighters while Weather personnel worldwide provided over 50 percent of the Army's weather support. Financial Management personnel have been diligently working to keep benefits moving to our members despite challenging pay, allowance and benefit entitlements and complex administration systems. Air National Guard Command, Control, Communications and Computer personnel have kept vital information flowing on one end of the spectrum and provided Ground Theater Air Control System Personnel on the other. And our tireless chaplains have been providing outstanding spiritual aid out in the field. We have been able to participate at these levels because we provide Expeditionary and Homeland Defense capabilities that are relevant to the nation.

Today as we look toward our future relevancy, having proven ourselves as indispensable and equal Total Force partners, we have to be prepared to transform with the Total Force. We are now in a position to make the deci-

sions that will influence our next evolution ... transforming the Air National Guard.

Some of today's capabilities may not be required in the future. The future Air Force will rely heavily on technological advances in space, command and control, intelligence and reconnaissance systems, information warfare, unmanned aerial vehicles, and the ability to conduct high volume and highly accurate attacks with significantly fewer platforms. For the Air Guard to remain Total Force partners, we have carved out our strategy in those areas and will explore new organizational constructs. Among those constructs are various forms of integrated units where we can combine individual units with other Air Guard units or with another service component. We have to expand our capabilities as joint warfighters and make the necessary changes to integrate seamlessly into the joint warfighting force. To remain relevant we must continue to listen to the messages that are being sent today.

Now is the time for us to lead the way by considering, selecting and implementing new concepts and missions that leverage our unique strengths to improve Total Force capabilities in support of expeditionary roles and homeland defense. This can only be accomplished by involving all Air National Guard stakeholders, working toward a common goal ... enhanced capabilities to assure future relevance for the Air National Guard.

By addressing together the complex issues that face us, we will keep the Air National Guard "Ready, Reliable, Essential and Accessible—Needed Now and in the Future."

Homeland Defense: Here and Abroad for over 90 Years

Air Sovereignty Alert

Since September 11, 2001, thousands of Air National Guardsmen have been mobilized to operate alert sites and alert support sites for Operation Noble Eagle in support of Homeland Defense. Our Air National Guard has partnered with active duty and reserve forces to provide Combat Air Patrol, random patrols, and aircraft intercept protection for large cities and high-valued assets in response to the increased terrorist threat. The Air National Guard has assumed the responsibility of all ground alert sites and some irregular Combat Air Patrols periods. This partnering agreement maximizes our nation's current basing locations and capitalizes on the high experience levels within the Air Guard and its professional history in Air Defense operations.

To continue operations at this indefinite pace has posed some unique funding and manning challenges for both the field and headquarters staffs. As we move into the fiscal year 2006 Program Objective Memoranda exercise, the active Air Force and Air National Guard will continue to work towards a permanent solution for our alert force and seek ways to incorporate these temporary Continuum of Service tours into permanent programs.

Space Operations: Using the Stars to Serve the Community

For the Air Guard, space operations provide a critical communications link to communities throughout the nation in the form of satellite support for everyday uses, television, computers, and wireless phones, but also serve as an important military deterrence from external threats. Colorado's 137th Space Warning Squadron provides mobile survivable and endurable missile warning capability to U.S. Strategic Command. Recently, Air National Guard units in Wyoming and California have come out of conversion to provide operational command and control support to Northern Command and to provide round-the-clock support to the Milstar satellite constellation. Alaska's 213th Space Warning Squadron ensures America's defense against nuclear threat by operating one of our nation's Solid State Phased Array Radar that provides missile warning and space surveillance.

The Air Force has approved space missions for the 119th Command and Control Squadron in Tennessee to support the U.S. Strategic Command, and the 114th Range Flight in Florida is partnered with an active Air Force unit performing

the Launch Range safety mission. There are future plans by the Air Force to transition additional space program missions and assets in Alaska and other states to Air National Guard control.

Support the Warfighter Anytime, Anywhere

The Air National Guard has been contributing to the Global War on Terrorism across the full spectrum of operations. During the peak of Operation Iraqi Freedom, we had over 22,000 members mobilized or on volunteer status to support the Global War on Terrorism worldwide. In Operation Iraqi Freedom we flew 43 percent of the fighter sorties, 86 percent of the tanker sorties, 66 percent of the A-10s close air support sorties and 39 percent of the airlift sorties. At the same time we were flying almost 25 percent of the Operation Enduring Freedom fighter sorties and over 20 percent of the tanker sorties.

However, our capabilities do not reside only in aircraft: 15 percent of our expeditionary combat support was engaged during this same period. This includes 60 percent of security forces, many of whom were mobilized for the longest duration. Additionally, about 25 percent of our intelligence, services and weather personnel were mobilized. Logistics and transportation capabilities are vital to homeland defense as well as our expeditionary mission.

Air National Guard men and women are proud to defend and protect our nation at home and abroad. Often, however, support equipment requirements overseas necessitate that equipment remain in place, causing a shortage of equipment for training at home. We are working with Air Force and Defense Department leaders to develop a solution.

Medical Service Transformation—Expeditionary Combat Support, Homeland Defense, and Wing Support

The Air National Guard's Surgeon General led the Air National Guard Medical Service through its most revolutionary transformation in history by reconfiguring its medical capabilities into Expeditionary Medical Support systems. These systems provide highly mobile, integrated and multifunctional medical response capabilities. They are the lightest, leanest and most rapidly deployable medical platforms available to the Air National Guard today. This system is capable of simultaneously providing Expeditionary Combat Support to the warfighter for Air and Space Expeditionary Force missions, Homeland Defense emergency response capabilities to the states and support to the Air National Guard Wings.

The Expeditionary Medical Support capability allowed ten percent of Air National Guard medical unit personnel to deploy for Operation Iraqi Freedom, compared to only three percent in the early 1990s for deployments for Operations Desert Shield and Desert Storm. The U.S. Central Command has validated that the Expeditionary Medical Support system is a perfect fit for the Chief of Staff, U.S. Air Force Global Strike Task Force and Concept of Operations.

The Expeditionary Medical Support system also plays a critical role in Homeland Defense. The Air National Guard Medical Service plays a vital role in the development and implementation of the National Guard's Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Enhanced Response Force Package. This package will provide support to state and local emergency responders and improve Weapons of Mass Destruction response capabilities in support of the Civil Support Teams. The Air National Guard has contributed to the 12 trained CERFP teams and will build towards 76 Expeditionary Medical Support teams by 2011.

The Guard's short-term objective is to obtain 20 Small Portable Expeditionary Aerospace Rapid Response equipment sets, two for each Federal Emergency Management Agency region. This would allow for additional reachback capability for the Civil Support Teams and the states. This has been a prelude to the next step in the Air National Guard Medical Service Transformation.

At Readiness Frontiers, over 100 medical planners received Federal Emergency Management Agency training to enhance Air National Guard Medical Service responsiveness to homeland disasters. This is the first time the medical service has taken on an endeavor of this magnitude and allows for future training opportunities in building routine relationships with military, federal and civilian response personnel.

The Air National Guard medical service's new force structure provided by the Expeditionary Medical Support system delivers standardized

and much-improved force health protection, public health, agent detection, and health surveillance capabilities to better support all Air Guard Wings. This will enhance the protection of the wings' resources and improve the medical readiness of its personnel.

Eyes and Ears in the Sky—Air National Guard Intelligence, Surveillance, and Reconnaissance Systems and Support

The Air National Guard's Intelligence, Surveillance, and Reconnaissance personnel and systems play an increasingly important role in the defense of our nation. Air Guard men and women are essential to support Global Hawk, Predator, and U-2 collection missions.

Due to a significant increase in Air Force mission requirements, the Air Guard continues to expand its intelligence collection and production capability. The Air Guard has also expanded its imagery intelligence capability through the use of Eagle Vision, which is a deployable commercial imagery downlink and exploitation system. This system provides valuable support to aircrew mission planning and targeting, as well as imagery support to natural disasters and terrorism.

Other developing Air Force capabilities entrusted to the Air National Guard include the F-16 Theater Airborne Reconnaissance System and the C-130 SCATHE VIEW tactical imagery collection system. The Theater Airborne Reconnaissance System will be improved to provide near-real-time support to warfighter "kill-chain" operations in day-night, all weather conditions. SCATHE VIEW provides a near-real-time imaging capability to support humanitarian relief and non-combatant evacuation operations. To support signal intelligence collection requirements, the Air Guard continues to aggressively upgrade the SENIOR SCOUT platform. SENIOR SCOUT remains the primary collection asset to support the nation's war on drugs and the Global War on Terrorism in the southern hemisphere.

Comprehensive and Realistic Combat Training—An Asymmetric Advantage

The National Guard Bureau has a fundamental responsibility to ensure that the men and women of the Air Guard are properly trained to meet the challenges they will face to protect and defend this country. This can be done through the effective development and management of special use airspace and ranges. To support this training requirement, the Air Guard is responsible for 14 air-to-ground bombing ranges, four Combat Readiness Training Centers, and the Air Guard Special Use Airspace infrastructure.

To ensure that our units remain ready and relevant, they must have access to adequate training airspace and ranges that meet the demands of evolving operational requirements. The National and Regional Airspace and Range Councils, co-chaired by both the Air Guard and the Air Force, continue to identify and resolve airspace and range issues that affect combat capability and are engaged with the Federal Aviation Administration in the redesign of the National Airspace System.

The four Combat Readiness Training Centers provide an integrated, year-round, realistic training environment (airspace, ranges, systems, facilities, and equipment), which enables military units to enhance their combat capability at a deployed, combat-oriented operating base and provide training opportunities that cannot be effectively accomplished at the home station. As such, these centers are ideal assets for the Joint National Training Capability. The centers offer an effective mix of live, virtual and constructive simulation training. The Air National Guard continues to pursue National Training Capability certification for these centers and ranges.

It is imperative to the warfighter that the Air Guard maintains its training superiority. As the warfighting transformation and joint operational requirements evolve, it is essential that the airspace and range infrastructure be available to support that training. There are challenges. The Air National Guard has a shortfall in electronic warfare training. To keep our Citizen-Airmen trained to the razor's edge, we must have the Joint Threat Emitter to simulate the various surface to air missile and anti-aircraft artillery threats that any future conflict might present.

Transformation for the 21st Century: Relevant Now ... and in the Future

Supporting a "Capabilities Based" Military Force

The Air National Guard is a solid partner with the Air Force, the Air Force Reserve, and the Department of Defense. The Defense Department's priority is Transformation ... and therefore it is the priority of the active services and the reserve components.

The Air Force is pursuing innovative organizational constructs and personnel policies to meld the various components into a single, unified force. Ongoing shifts in global conflict and U.S. strategy suggest an increasing attention to activities such as homeland defense, nation-building, and others that may require different mixes of capability that are not necessarily resident at sufficient levels in the active component. This "Future Total Force" integration will create efficiencies, cut costs, ensure stability, retain invaluable human capital, and, above all, increase our combat capabilities.

One example of this transformational initiative is the proposed movement of Air National Guard manpower to Langley AFB, an active duty base, from Richmond, an Air National Guard base, with the intent of leveraging the high experience of Guard personnel to improve the combat capability for the active force.

Another transformation effort is to "integrate," where sensible, units from two or more components into a single wing with a single commander. Active, Guard, and Reserve personnel share the same facilities and equipment, and together, execute the same mission. This is a level of integration unmatched in any of the Services.

Emerging Missions

The Air National Guard is working to embed new and innovative capabilities into the force. These include: Predator unit equipped and associate, Global Hawk, Deployable Ground Stations/Distributed Common Ground System, F-15 Aggressor, C-130 Flying Training, Cryptological and Linguist Training, Expeditionary Combat Support, as well as support to Joint Forces with Battlefield Airmen, Air Operations Centers, Warfighting Headquarters, Space Control and Operations.

On November 25, 2004, the Secretary of the Air Force and Chief of Staff of the Air Force outlined a Total Force vision for Air Guard Intelligence, Surveillance and Reconnaissance by calling for the standup of two MQ-1 Predator flying units in Texas and Arizona by June 2006 to help fill worldwide Reconnaissance, Surveillance, and Target Acquisition requirements. Air Guard Predator operations will first fill worldwide theater requirements, but will also likely evolve into providing direct defense for the Homeland in conjunction with the Department of Homeland Security and U.S. Northern Command.

Adoption of emerging missions by Air National Guard units promotes all three National Guard priorities for the future. The addition of new weapons systems to the Air Guard provides essential capabilities that enable homeland defense and homeland security missions. New systems including RQ/MQ-1 Predator, and RQ-4 Global Hawk, provide intelligence, surveillance, and reconnaissance capabilities to Air National Guard forces. Other capabilities, such as air operations center support, will provide ready experience in planning, command and control, and mission leadership that will be invaluable in federal/state mission capable units.

Modernizing for the Future

The Air National Guard modernization program is a capabilities-based effort to keep the forces in the field relevant, reliable and ready for any missions tasked by the state or federal authorities. As a framework for prioritization, the modernization program is segmented into three time frames: short-term, the current and next year's Defense budget; medium-term, out to fiscal year 2015; and long-term, out to fiscal year 2025 and beyond.

The Air National Guard remains an equal partner with the Air and Space Expeditionary Forces that are tasked to meet the future challenges and missions. Budget constraints require the Air Guard to maximize combat capability for every dollar spent. The Air National Guard includes all aircraft, ground command and control systems, and training and simulation systems in this modernization effort. The requirements necessary to focus this effort must be grounded in clearly defined combat capabilities and missions.

The following summarizes the Air National Guard's force posture by weapons system:

The E-8C Joint Surveillance Target Attack Radar System remains a highly coveted asset by all combatant commanders. It provides wide theater surveillance of ground moving targets operated by the first-ever blended wing of Air National Guard, Air Force and Army, the 116th Air Control Wing, at Robins AFB, Ga. Keeping the system modernized while maintaining the current high Operations Tempo in combat theaters will be a continuing challenge in the future. The most urgent modernization needs for the Joint Surveillance Target Attack Radar System include re-engining, radar upgrades, installation of the Traffic Alert Collision Avoidance System, and integration of a self-protection suite.

The A-10 remains the only Air Force fighter/attack aircraft operating out of Afghanistan today. Six Air Guard squadrons account for 38 percent of combat-coded A-10s in the Combat Air Force. The A-10 is undergoing modification to modernize the cockpit, provide a data link, improve targeting pod integration, and add Joint Direct Attack Munitions capability. Future improvements to the A-10 include a SATCOM radio, an updated Lightweight Airborne Recovery System for combat search and rescue missions, and improved threat

detection. Recent conflicts highlighted a thrust performance deficiency making upgrading the TF-34-100A engine a priority.

Air National Guard F-16s continued to provide crucial combat capabilities during 2005 in Operation Iraqi Freedom, Operation Enduring Freedom and Operation Noble Eagle. The Block 25/30/32 F-16 continued its modernization program by fielding the Commercial Central Interface Unit, Color Multi-Function Displays and AIM-9X while pursuing future integration of the Radar Modernized Programmable Signal Processor, Advanced Identification Friend or Foe, Joint Helmet Mounted Cueing System and the smart triple ejector rack. The Block 52 F-16s are nearly finished with their Common Configuration Implementation Program that brought these systems and LINK16 capabilities to their fleet. Air Guard Block 42 F-16s will begin their common configuration upgrades later this year.

The F-15 modernization includes the continued installation of the BOL Infrared countermeasures improvements system, continued delivery of upgraded engine kits and installation of the Multifunctional Information Distribution System Fighter Data Link. The next upgrades include the retrofit of a permanent night vision cockpit lighting system, continued integration and purchase of the Joint Helmet Mounted Cueing System, and the delivery of the replacement Identify Friend or Foe system.

The HC-130 is completing installation of the Forward Looking Infrared system, an essential capability during combat rescue operations. The HC-130 starts integration and installation of the Large Aircraft Infrared Counter Measure system, increasing survivability in face of the ever-increasing threat from hand-held missiles.

The HH-60 program started installation of the new M3M .50 caliber door gun, replaced personal equipment for the pararescue jumpers with state-of-the-art weapons and technologies. The initiation of the HH-60 replacement program will begin to slow any further modernization.

C-130 enhancements included the multi-command Avionics Modernization Program which upgraded nearly 500 aircraft to a modern, more sustainable cockpit. Additionally, the Air National Guard continued acquisition of the AN/APN-241 Low Power Color Radar, continued installation of the Night Vision Imaging System, and the Air National Guard-driven development of Scathe View to include various technological spin-offs having application in a myriad of civilian and military efforts. Other Air Guard programs include the AN/AAQ-24 (V) Directional Infrared Countermeasures System, propeller upgrades like the Electronic Propeller Control System and NP2000 eight-bladed propeller, and a second generation, upgraded Modular Airborne Fire Fighting System. Additionally, the Air National Guard partnered with the Air Force for the first multiyear buy of the new C-130J aircraft to replace the aging C-130E fleet.

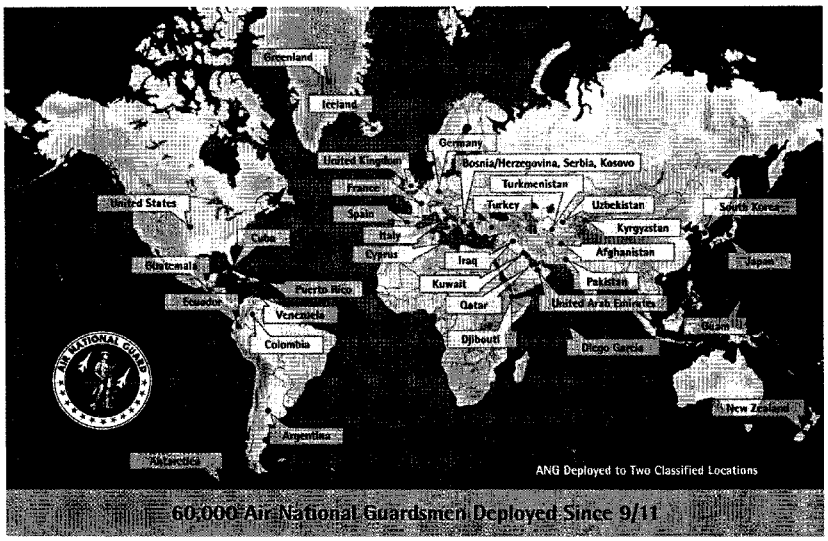
The KC-135 weapons system completed the installation of the cockpit upgrade and continued the engine upgrades to the R-model. The KC-135 continued to be the air bridge for the multiple combat deployments across the globe. Keeping the aging fleet modernized will continue to challenge the Air National Guard as the refueling operations evolve to meet the next mission.

The Air National Guard Modernization Program is key in continuing to field a relevant combat capability, ensuring dominance of American air power for the next 15 to 20 years. We must sustain an open and honest dialogue from the warfighter through Congress, in order to maximize the investment of precious and limited resources.

Force Development

Our personnel are our greatest asset and force multiplier. To capitalize on their talents, the Air National Guard has 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. We are taking a deliberate approach to develop officers, enlisted, and civilians by combining focused assignments with education and training opportunities to prepare our people to meet the Air National Guard needs. Through targeted education, training, and mission-related experience, we will develop professional Airmen into joint force warriors with the skills needed across all levels of conflict. This is at the "heart" of our Officer and Enlisted Force Development plans. These plans are a critical communication tool to capture the member's "career" development ideas, desired career path choices, assignment, and developmental education preferences. 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 with the appropriate education, training, and experience. The desired effect is to produce more capable and diversified leaders.

Recruiting quality applicants and taking care of our people will be key in maintaining the end strength numbers needed to accomplish our HLD missions, our successful transformation, and our support to the war fighter. Air National Guard retention remains at an all-time high. However, recruiting is a challenge, as the parents, teachers, and counselors now play a larger role in their child's decision to join the military. Therefore, the Air National Guard expanded funding of



thirty eight storefront recruiting offices. These offices offer a less imposing sales environment than the traditional flying wing location.

As part of the Total Force, the Air National Guard realizes it is essential that we transform into an effects-based, efficient provider of human combat capability for our warfighters, partners, and our Nation. Our Vision and Strategic Plan sets the transformational flight-path for the personnel community in support of the Air Expeditionary Force, security for the homeland, our states' missions, and roles in the community. Furthermore, we will advance our continued commitment to a diverse Air National Guard, not just in gender and ethnicity, but in thought, creativity, education, culture, and problem-solving capabilities.

Information Networking for the Total Force

The Air National Guard Enterprise Network is critical to the successful transmission of information within a unit, between units, and among the various states. We are making progress towards modernizing our nationwide information technology network that serves a vital role in homeland security and national defense. A healthy and robust network for reliable, available and secure information technology is essential to federal and state authorities in their ability to exercise command and control of information resources that potentially could impact their various constituencies.

Greater emphasis must be placed on maturing the Air National Guard Enterprise Network. The rapidly changing hardware and software requirements of our warfighting and combat support functions come with a significant cost to upgrade and maintain a fully capable Information Technology network. The Air Guard network has typically been supported at the same level it was during the 1990s. Without a significant infusion of resources to acquire new technology, our ability to accomplish other missions will suffer. Modernization of the Air National Guard Enterprise Network will enhance interoperability with other federal and state agencies.

Summary

The Air National Guard will continue to defend the nation in the War on Terrorism while transforming for the future. We will do this across the full spectrum of operations in both the Expeditionary and Homeland Defense missions. The Air National Guard will also continue to draw upon our militia culture and linkage to the community as we execute our multiple missions and roles. The men and women of the Air Guard are currently serving proudly in the far corners of the globe—and here at home—and will continue to do so with distinction.

Today's guardsmen and women are your doctors, lawyers, police officers, cooks, teachers, and factory workers, white and blue-collar workers. They are your civilians in peace; Airmen in war—we guard America's skies.

Major General Terry L. Scherling

Director of the Joint Staff National Guard Bureau

Joint Staff Overview

During 2005, the National Guard's pursuit of mission objectives once again proved to be a remarkable accomplishment. Support for Homeland Defense, the Warfighter, and Transformation guided our ambitious initiatives to serve our nation and our communities over the entire spectrum of domestic and overseas operations.

Although the National Guard continued to be essential to our nation's success in Operations Enduring Freedom and Iraqi Freedom, Guard support to the warfight is not limited to our role on the battlefield. We demonstrate our ability to support the warfight anytime, anywhere, through dynamic evolutions to our State Partnership Program, Family Programs, and Employer Support of the Guard and Reserve Program. Our State Partnership Program supports homeland security by helping to develop dependable collaborative partners for the United States. Since our last posture statement, we accomplished 425 events between partner states and foreign nations, and added two new partnerships: Rhode Island with the Bahamas and Ohio with Serbia and Montenegro. We expect to add another six partnerships in fiscal year 2007. Not since World War II have so many Guard members been deployed to so many places for such extended periods. Our Family and Employer Support programs continue to serve as a foundation to provide relevant and consistent support to our Soldiers, Airmen, families, employers, and communities during all phases of the deployment process.

Our progress in homeland defense may be even more remarkable. More than 2,500 National Guard members provided consistent and reliable counterdrug support to the nation's law enforcement agencies. Initiatives are underway to leverage our 16 years of counterdrug experience and apply it to overseas drug trafficking problems in the Middle East. In addition to noted successes in our counterdrug program, we have continued to enhance all of our homeland defense capabilities. The Department of Defense acknowledged our Mission Assurance Assessment as essential to protect the nation's critical infrastructure. Our Weapons of Mass Destruction Civil Support Teams, recognized for their specialized expertise and rapid response times, have been expanded to 55 full-time teams across the nation. We are now focusing on our 12 Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Enhanced Response Force Packages as critical assets to the national response for the Global War on Terrorism.

These and other National Guard capabilities were brought to bear frequently in 2005 in support of civil authorities by responding to national events, floods, wildfires, hurricanes and more. During the record 2005-hurricane season, the National Guard deployed over 50,000 members in response to Hurricane Katrina alone, saving over 17,000 lives, providing millions of meals and liters of water, and ensuring safety and security to numerous communities. Some regarded our response as one of our "finest hours."

Yet, we have never rested on our laurels. We continue to transform. The Joint Combined State Strategic Plan is aiding our ability to plan for domestic operations, helping the National Guard, state governors, and U.S. Combatant Commanders assess force capabilities for HLS and HLD. The Department

of Defense National Security Personnel System will apply to the 50,000-member National Guard Military Technician workforce, transforming the way our civilian personnel system works. We implemented the Joint Continental United States Communication Support Environment to address requirements for collaborative information sharing and other Command, Control, Communications, and Computer capabilities that can support HLS and HLD stakeholders. Our Joint Training Centers continue to evolve through continuous and in-depth analysis of lessons learned and homeland security training requirements.

This past year the National Guard provided a remarkable demonstration of how effectively we can and do execute our state and federal missions simultaneously. The National Guard is always ready, always there.

Homeland Defense: Here and Abroad

"In times of crisis, our nation depends on the courage and determination of the Guard."

– President Bush, Aug 2005

National Guard Reaction Force

The National Guard has over 369 years of experience in responding to both the federal government's warfighting requirements, and the needs of the states to protect critical infrastructure and ensure the safety of our local communities. To improve the capability of the states to rapidly respond to threats against the critical infrastructure within our borders, the Chief of the National Guard Bureau has asked the Adjutants General of the states, territories and Commanding General, District of Columbia to identify and develop a Rapid Reaction Force capability. The goal is a trained and ready National Guard force available to the governor on short notice, capable of responding in support of local and state governments and, when required, the Department of Defense. The National Guard Bureau is working with both Northern and Pacific commands to ensure that National Guard capabilities are understood and incorporated into their response plans.

Critical Infrastructure Program—Mission Assurance Assessment (MAA)

During the past year, the National Guard provided support to the country by responding to severe weather, wild fires, several National Special Security Events and Hurricanes Katrina and Rita. The year's events also guided the National Guard's preparations to implement MAA. This is a National Guard Homeland Defense prototype program in which teams of National Guard Soldiers or Airmen are trained to conduct vulnerability assessments of Department of Defense critical infrastructure in order to prevent or deter attacks and plan emergency response in case of a terrorist attack or natural disaster. The program is designed to educate civilian agencies in basic force protection and emergency response; develop relationships between first responders, owners of critical infrastructure, and National Guard planners in the states; and to deploy traditional National Guard forces in a timely fashion to protect the nation's critical infrastructure. In developing this concept, National Guard Bureau has worked with the office of the Assistant Secretary of Defense for Homeland Defense and the Joint Staff to establish policies and standards. During 2005, the National Guard trained six Critical Infrastructure Program - Mission Assurance Assessment Detachments to conduct vulnerability assessments. The National Guard plans to train four additional detachments in 2006 to cover the four remaining Federal Emergency Management Agency Regions. The MAA teams' pre-crisis preparatory work facilitates the National Guard in continuing its time-honored tradition of preventing attacks, protecting and responding when necessary in defense of America at a moment's notice.

Support to Civil Authorities

In 2005, the National Guard provided unprecedented support to federal, state, and local authorities, providing assistance during natural and manmade disasters, and supporting HLS and HLD operations. National Guard forces performed HLS missions protecting airports, nuclear power plants, domestic water supplies, bridges, tunnels, military assets and more. By the end of the year, the Guard expended over one million man-days of support in assistance to civilian authorities at the local, state and federal level.

Hurricanes Katrina and Rita and, to a lesser degree, Wilma, affected states across the South. The National Guard provided assistance in the form of humanitarian relief operations that included construction, security, communications, aviation, medical, transportation, law enforcement support, lodging, search and rescue, debris removal, and relief supply distribution. Liaison officers sent to the affected areas assisted

with coordination of air and ground transportation ensuring expeditious delivery of desperately needed equipment and supplies. Working closely with the governors of the affected states and the Federal Emergency Management Agency, the Guard proved instrumental in providing support to the beleaguered citizens and in reestablishing security of the affected areas.

Weapons of Mass Destruction Civil Support Teams

Eleven additional National Guard Weapons of Mass Destruction Civil Support Teams (CST) were authorized in 2005, enhancing our ability to respond to chemical, biological, radiological, nuclear, and high-yield explosive events. There are now 55 authorized teams. Since September 11, 2001 the 34 existing certified teams have been fully engaged in planning, training, and operations in support of local and state emergency responders. The remaining 21 teams are progressing rapidly toward certification. These are highly trained and skilled, full-time teams, established to provide specialized expertise and technical assistance to an incident commander.

Their role in support of the incident commander is to "assess, assist, advise, and facilitate follow-on forces." State governors, through their respective Adjutant General, have operational command and control of the teams. The National Guard Bureau provides logistical support, standardized operational procedures, and operational coordination to facilitate the employment of the teams and ensure back-up capability to states currently without a certified team.

2005 was a busy operational year for our teams. They assisted emergency responders throughout the country. 18 CSTs provided personnel and equipment that were vital to the National Guard response to Hurricanes Katrina and Rita. These teams conducted assessments of contamination levels remaining after the floodwaters receded. They provided critical communications and consequence management support to local, state, and federal agencies. Most importantly, they provided advice and assistance to the local incident commanders that dramatically impacted the recovery effort.

Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive Enhanced Response Force Package

To enhance the chemical, biological, radiological, nuclear, and high-yield explosive response capability of the National Guard, 12 States were selected to establish a task force comprised of existing Army and Air National Guard units, with Congress authorizing an additional five in the fiscal year 2006 Defense Appropriation. The task force is designed to provide a regional capability to locate and extract victims from a contaminated environment, perform medical triage and treatment, and conduct personnel decontamination in response to a weapon of mass destruction event. The units that form these task forces are provided additional equipment and specialized training, which allow the Soldiers and Airmen to operate in a weapon of mass destruction environment. Known as a chemical, biological, radiological, nuclear, and high-yield explosive Enhanced Response Force Package (CERFP), each task force operates within the Incident Command System and provides support when requested through the Emergency Management System. Each task force works in coordination with U. S. Northern Command, U. S. Pacific Command and other military forces and commands as part of the overall national response of local, state, and federal assets. Each CERFP has a regional responsibility as well as the capability to respond to major chemical, biological, radiological, nuclear, and high-yield explosive incidents anywhere within the United States or worldwide as directed by national command authorities. This capability augments the CST and provides a task force-oriented structure that will respond to an incident on short notice. While the exact numbers are not known, it is estimated that the Texas National Guard CERFP medical element treated over 14,000 patients from Hurricanes Katrina and Rita through late September.

During 2005, 11 of the 12 teams completed National Fire Protection Association certified specialized training in confined space/collapsed structure operations. The twelfth is projected to complete search and extraction training during 2006.

National Special Security Events

The Department of Homeland Security designates certain high-visibility events that require an increased security presence as National Security Special Events. In 2004 and 2005, the G8 Summit, the Democratic National Convention, the Republican National Convention, President Ronald Reagan's funeral, and the Presidential Inauguration received such designation.

The National Guard Bureau Joint Intelligence Division, in coordination with the Joint Force Headquarters—State intelligence offices, provided support to each event. Support missions included traffic control-point operations, a civil disturbance reaction force, aviation and medical evacuation support, a chemical support team, and support to the District of Columbia Metropolitan Police Department and the U.S. Secret Service for crowd screening. Army and Air National Guard

personnel from several surrounding States were employed for these missions.

Intelligence for Homeland Security

The National Guard Bureau has honed partnerships with U. S. Northern Command, Department of Homeland Security, Joint Force Headquarters -State, and national agencies to enhance information sharing. We are aggressively engaged in seeking creative ways for the National Guard's joint structure's capabilities to support U. S. Northern Command's requirements for situational awareness of homeland security activities within the 54 states, territories, and District of Columbia. As part of the homeland security effort, the National Guard Bureau is exploring working relationships with federal agencies such as the Defense Intelligence Agency, National Reconnaissance Office, National Security Agency, Federal Bureau of Investigation, and National Geospatial Intelligence Agency.

Support the Warfighter Anytime, Anywhere

State Partnership Program

The State Partnership Program is the National Guard's preeminent activity supporting Regional Combatant Commanders' Theater Security Cooperation. This program demonstrates the distinct role and capability a citizen-militia can provide a country's civilian leadership to transform their military and society. The program partners U.S. states with foreign nations to promote and enhance bilateral relations. It supports Homeland Defense by nurturing dependable collaborative partners for coalition operations in support of Secretary Rumsfeld's Concepts of Global Engagement and the Global War on Terrorism.

The program reflects an evolving international affairs mission for the National Guard. It promotes regional stability and civil-military relationships in support of U.S. policy objectives. State partners actively participate in many and varied engagement activities including bilateral familiarization and training events, exercises, fellowship-style internships and civic leader visits. All activities are coordinated through the theater Combatant Commanders and the U.S. ambassadors' country teams, and other agencies as appropriate, to ensure that National Guard support meets both U.S. and country objectives. Since our last Posture Statement, there have been over 425 events involving U.S. states and their foreign partners.

Since the last Posture Statement, two new partnerships were formed—Rhode Island/Bahamas and Ohio/Serbia and Montenegro. Nigeria has formally requested a partnership. Identification of a partner state is in progress. Several countries have initiated the formal process of requesting a partnership.

This program is challenged to adapt to rapidly changing international conditions and events. Mature partnerships demand careful consideration of the appropriate partnership role and mission. The program's expansion in emerging geographic regions will require insightful selection of partner states, roles and missions and the appropriate path to promote political, military and social stability in partner countries while making the best use of National Guard resources. Expansion and integration in the Horn of Africa and the Pacific Rim are areas of challenge for our program. An ongoing challenge is to ensure states receive optimal support and the partner countries reap the greatest benefit.

NGB is working to establish and formalize Foreign Affairs and Bilateral Affairs Officer positions and training with the services and the combatant commanders, Ambassadors and partner countries. These are vital initiatives to support expansion of the roles and missions of the program.

In fiscal year 2007 and beyond, working with the geographic combatant commanders, we expect to take the program to the next level of security cooperation. We look for increased interaction at the action officer/troop level. The partner countries are looking for more hands on engagement events, unit exchanges, and exercises as well as working with their partner states during actual operations. A prime example is the liaison support given by Alaska to their partner state, Mongolia, when they deployed troops to Iraq. The National Guard seeks to satisfy this desire for deeper relationships while increasing the number of partnerships. In 2007, we can potentially add six partnerships.

National Guard Family Program

The National Guard Bureau Family Program is a Joint Force initiative that serves as the foundation for support to Army and Air National Guard family members. As the Guard faces an unprecedented increase in military activity and extended deployments, the highest priority of the National Guard Family Program is to provide families with the assistance to cope with mobilization, deployment, reunion, and reintegration.

Not since World War II have so many Guard members been deployed to so many places for such extended periods. The role and support of the family is critical to success with these missions. The National Guard Family Program developed an

extensive infrastructure to support and assist families during all phases of the deployment process. There are more than 400 National Guard Family Assistance Centers located throughout the 54 states, territories and the District of Columbia. These centers provide information, referral, and assistance with anything that families need during a deployment. Most importantly, these centers and these services are also available to any military family member from any branch or component of the Armed Forces.

The State Family Program Directors and Air Guard Wing Family Program coordinators are the program's primary resources for providing on-the-ground family readiness support to commanders, Soldiers, Airmen, and their families. The National Guard Bureau Family Program office provides support to program directors and coordinators through information-sharing, training, volunteer management, workshops, newsletters, family events, and youth development programs, among other services. To enhance this support, the National Guard Family Program, through the Outreach and Partnership program, is leveraging federal, state, and local government agency resources and forming strategic partnerships with veteran, volunteer, and private organizations.

The greatest challenge lies in awareness and communication. The feedback we receive indicates that many family members are unaware of the many resources available to them during a period of active duty or deployment. Our primary goals are to increase the level of awareness and participation with existing family resources, and to improve overall mission readiness and retention by giving our warfighters the peace of mind of knowing that their families are well cared for.

Veterans' Affairs

Sustained mobilization of the National Guard since 9/11 has resulted in a larger number of Guard members eligible for entitlements available through the Department of Veterans Affairs. Last year, the Chief of the National Guard Bureau, the Department of Veterans Affairs Under Secretary for Health and Under Secretary for Benefits signed a memorandum of agreement to establish a Veterans Affairs program to improve the delivery of benefits to returning Soldiers and ensure a seamless transition to veteran status. The agreement resulted in the appointment of a permanent liaison at the National Guard Bureau and at the Department of Veterans Affairs, and assignment of a state benefits advisor in each of the 54 Joint Force Headquarters-State. The benefits advisors coordinate the entitlement needs of members at the state level with the Department of Veterans Affairs, other veterans' service organizations and community representatives. This new program builds upon the strength and success of the National Guard Family Program and capitalizes on the services already provided by the Department of Defense.

Employer Support of the Guard and Reserve

The National Guard and Reserve continue to be full partners in a fully integrated Total Force. This means our National Guard and Reserve service members will spend more time away from the workplace defending and preserving our nation. Employers have become inextricably linked to a strong national defense as they share this precious manpower resource. The basic mission of the Employer Support of the Guard and Reserve (ESGR) program is to gain and maintain support from all public and private employers for the men and women of the National Guard and Reserve.

A nationwide network of local employer support volunteers is organized into ESGR committees within each state, the District of Columbia, Guam, Puerto Rico and the Virgin Islands. In this way, employer support programs are available to all employers, large and small, in cities and towns throughout our country. Today, nearly 3000 volunteers serve on local ESGR committees. With resources and support provided by the national office and the National Guard Bureau, the 54 ESGR committees conduct Employer Support and Outreach programs, including information opportunities for employers, ombudsman services, and recognition of employers whose human resource policies support and encourage participation in the National Guard and Reserve. In view of the importance of employer support to the retention of quality men and women in the National Guard and Reserve, and in recognition of the critical contributions from local committees, the National Guard Bureau provides full time assistance and liaison support to the Joint Forces Headquarters—State and the 54 ESGR committees.

The National Guard Bureau remains committed to the development of strategic partnerships with government agencies, veterans service organizations and public sector employers to ensure employment opportunities for our redeploying service members with an emphasis on our disabled veterans. One of the most important tasks our country faces is ensuring that our men and women in uniform are fully integrated into the civilian workforce when they return from service to our country.

Youth ChalleNGe Program

The award-winning National Guard Youth ChalleNGe Program is a community-based program that leads trains and mentors at-risk youth at 30 program sites throughout the country to become

productive citizens in America's future. As the second largest mentoring program in the nation, the ChalleNGe program is coeducational and consists of a five-month "quasi-military" residential phase and a one-year post-residential mentoring phase. A cadet must be a volunteer, between 16 and 18 years of age, drug free, not in trouble with the law, unemployed or a high school dropout.

The program has served as a national model since 1993 and the 25 states and the Commonwealth of Puerto Rico that offer the program graduated more than 55,800 young men and women. Participants graduate from the program equipped with the values, skills, education, and self-discipline necessary to succeed as adults in society. Significantly, although many ChalleNGe candidates are from at-risk populations, over 70 percent of ChalleNGe graduates have attained either a General Equivalency Diploma or a high school diploma. Furthermore, approximately 20 percent of all graduates choose to enter military service upon graduation.

The National Guard Counterdrug Program

For over 16 years, the National Guard Counterdrug program has assisted more than 5,000 law enforcement agencies in protecting the American homeland from significant national security threats. The Guard's operations assist these agencies in obstructing the importation, manufacture, and distribution of illegal drugs; and by supporting community based drug demand reduction programs. The program also supports the U.S. Northern and Southern Command combatant commanders. Given the growing link between drugs and terrorism, the National Guard's program continues to complement America's homeland security efforts. Although primarily a domestic program, initiatives are underway to leverage the National Guard's years of domestic counterdrug experience and apply it to overseas drug trafficking problems in the Middle East.

This National Guard Bureau program, as executed by the 54 states and territories, through their respective governors' Counterdrug plan, supports the Office of National Drug Control Policy strategies. Support for these strategies is embedded within six general mission categories including: program management; technical support; general support; counterdrug related training; reconnaissance and observation; and drug demand reduction support. In 2005, approximately 2,475 National Guard personnel provided counterdrug support to law enforcement agencies and continued to remain ready, reliable, and relevant for their wartime mission by actively participating in their unit of assignment through weekend drill, annual training, and individual Soldier and Airman professional development.

In fiscal year 2005, National Guard support efforts led to 61,125 arrests and assisted law enforcement agencies in seizing nearly 2.4 million pounds of illegal drugs, eradicating over two million marijuana plants, and confiscating over 4.5 million pills. Also, as a result of this joint effort, 11,490 weapons, 4,357 vehicles and more than $213 million in cash were seized.

In addition to counterdrug support operations, Air and Army National Guard aviation assets supported HLD and HLS operations as part of a joint task force along the northern border during Operation Winter Freeze. The success of that operation was to a great degree directly related to the program personnel's long-standing experience with law enforcement agencies.

During rescue and recovery operations in support of Hurricane Katrina, our program played a major role. Thirty-five aircraft deployed to the Gulf Coast from 25 different states. These aircraft performed search and rescue operations and providing valuable photographic and infrared reconnaissance to assist officials in determining damage levels of the levees and the surrounding communities. In addition, the program organized Task Force Counterdrug Light Assault Vehicle, a task force comprised National Guard Soldiers and Airmen with Light Assault Vehicles from Nebraska, Oregon, California, Tennessee, and Michigan. These vehicles, which have an amphibious capability not commonly found in Guard units but critically needed in the flooding following Katrina, logged more than 800 hours and 6,000 miles and performed over 600 rescues.

Transformation for the 21st Century

Transformation to a Joint National Guard Bureau

The National Guard Bureau crafts the strategies that will result in the implementation of the Secretary of Defense's guidance to improve National Guard relevancy and support to the War on Terrorism, Homeland Defense and Homeland Security. The National Guard Bureau has presented an updated concept and implementation plan to achieve formal recognition as a joint activity of the Department of Defense to the services, a step that would formally establish the National Guard Bureau as the Joint National Guard Bureau.

Joint Force Headquarters–State

The Joint Force Headquarters-State were established (provisionally) in October, 2003 in each of the 50 states, the Commonwealth of Puerto Rico, two U.S. Territories and the District of Columbia, to reorganize the previously separate Army National Guard and Air National Guard headquarters into a joint activity that exercises command and control over all assigned, attached or operationally aligned forces. These were formed in compliance with guidance from the Secretary of Defense to forge new relationships that are more relevant to the current environment between National Guard Bureau, the Office of the Secretary of Defense and the Joint Staff with a primary focus on improving Department of Defense access to National Guard capabilities. The Services and the Director of the Joint Chiefs of Staff have formerly approved the mission statement, and a Joint Operations Center is now operating 24 hours a day, 365 days a year, in each Joint Force Headquarters-State.

All Joint Force Headquarters-State were directly involved in coordinating support for various disasters and emergencies this year to include the recovery efforts following the 2005 Gulf Coast hurricanes. Progress continues toward the goal of 54 fully operational Joint Force Headquarters-State by September of 2006. "Core" Joint Mission Essential Task Lists were customized to the task conditions and standards necessary for each particular state, approved by the respective Adjutant General, and loaded into the Joint Force Headquarters-State Joint Training Plan. Draft Joint Training Plans are complete for all Joint Force Headquarters-State to plan for, and capture, joint training during exercises and real-world events. Many of these headquarters' have already participated in Vigilant Shield and Vigilant Guard homeland defense exercises. The remaining states are scheduled for these exercises in 2006-2007.

Joint Combined State Strategic Plan

The Joint Combined State Strategic Plan is designed to categorize, assess, and forecast future capabilities to support Joint Domestic National Guard operations by providing the ability to track and assess ten joint core capabilities needed to support Homeland Defense and Homeland Security. They are: command and control, Civil Support Teams, maintenance, aviation /airlift, engineer, medical, communications, transportation, security, and logistics. This plan serves as both a strategic tool and as an operational planning tool for the governor and U.S. combatant commands. This program's potential for future development coupled with its ability to track these vital competencies makes the plan a decisive tool for continuing transformation of the National Guard.

Recent Hurricane Katrina relief efforts highlight the importance of having this information readily available. The National Guard was able to identify and mobilize units based on current availability and specific functional capability. In addition, individual states have used the state based joint combined strategic plan to render support to civil authorities during life threatening snowstorms and severe flooding this past winter. As a dynamic program, the plan is undergoing initiative enhancements to enable identification of additional, individual state-specific capabilities. This will allow for tracking specific situational response capabilities to hurricanes, tornadoes, floods, mass casualties, and fires among others at the state and regional level.

Joint Continental United States (CONUS) Communications Support Environment (JCCSE)

U.S. Northern Command and the National Guard Bureau jointly developed the JCCSE construct to address requirements for collaborative information sharing and other command, control, communications, and computer (C4) systems capabilities in the post- 9-11 Homeland Defense and Defense Support to Civil mission environment. The detailed, long-term vision for the JCCSE is outlined in the joint U.S. Northern Command and National Guard Bureau document, Joint CONUS Communications Support Environment (JCCSE) Concept for Joint C4, 15 October 2005, which defines JCCSE as, "...the vital organizations and net-centric information technology capabilities required by the National Guard to support U.S. Northern Command, U.S. Pacific Command, U.S. Strategic Command, U.S. Joint Forces Command, and other DOD and non-DOD partners by extending interagency and intergovernmental trusted information sharing and collaboration capabilities from the national level to the state and territory and local levels, and to any incident site throughout the United States and its territories."

JCCSE is an umbrella construct that involves organizational and process development as well as requisite supporting enhancements to existing National Guard information technology capabilities. Due to the ongoing threats to the U.S. homeland in the post 9-11 environment, NGB took preemptive action to establish initial capabilities—the Interim Satellite Incident Site Communications Set (ISISCS)—that are geographically dispersed throughout the CONUS, as well as Hawaii, and have proven invaluable in real world operations in support of Department of Defense security missions and for disaster response operations related to Hurricanes Ivan, Katrina, and Rita. When fully implemented, JCCSE will provide robust state-federal net-

work connectivity as well as national level management and integration of long haul, tactical, and other DOD capabilities related to C4 systems. JCCSE will provide U.S. Northern and U.S. Pacific Commands, NGB, and the 54 Joint Force Headquarters-State with connectivity to any task force headquarters location, staging area, or incident site. JCCSE will be a major step forward in sharing information among federal, state, local, tribal, private sector, and non-governmental entities for incidents occurring in the states and territories related to HLD/DSCA mission taskings, major disasters or emergencies, and catastrophic incidents.

Open Source Information System

The Open Source Information System is a Virtual Private Network used for open source research and sharing of unclassified, but sensitive, information between the National Guard Bureau and all 54 Joint Force Headquarters-State, as well as other federal and DoD agencies. This system provides sensitive community-based, law-enforcement information at the lowest possible cost. The project is demonstrating the significant value-added concept of sharing installed technology with communities.

The National Guard Bureau, in partnership with the Army's Foreign Military Studies Office at Fort Leavenworth, Kansas, has developed training on the use of the Open Source Information System as well as open source information research skills and methodologies. This effort will provide the necessary tools for research and information sharing at the unclassified level to ensure interoperability, reliability, efficiency, operations security and economies of scale.

Homeland Security Joint Interagency Training Centers

The Joint Force Headquarters of each state must possess the ability to establish one or more Joint Task Forces to support homeland defense. Additionally, as a result of legislation enacted in 2004, the legal authority exists to establish a Joint Task Force within each state composed of both National Guard members in non-federal status and active component military personnel. In order to better prepare National Guard leaders for the challenges of "dual-status" Joint Task Force command, the National Guard Bureau developed and implemented a formal training program for senior leaders from every state and territory. The dual-status Joint Task Force commander is a transformational concept that leverages the unique capabilities resident in the total force and strengthens unity of command in support of the homeland defense mission.

National Guard Joint Interagency Training Centers were established in October 2004 at Camp Dawson, West Virginia and in San Diego, California. During fiscal year 2005, over 5,000 students from the National Guard and its interagency partners attended training at the centers. These training facilities conduct individual or collective training and educate Department of Defense entities and federal, state, and local authorities. The centers teach specialized courses in Incident Management, Continuity of Government/Continuity of Operations and Vulnerability Assessment. Areas of emphasis included protecting the domestic population, U.S. territory, and critical infrastructure against threats and aggression.

These centers provide homeland security training development and delivery, and work to ensure training availability, quality, and standardization. They serve the homeland security training needs of National Guard units, specifically those with Homeland Defense, Civil Support, and Emergency Preparedness missions. The centers will continue to evolve through continuous and in-depth analysis of homeland security training requirements. The training centers continue to be a critical capability that achieves the homeland defense priorities of the National Guard Bureau.

State Adjutants General

Alabama
Major General (Ret) Crayton M. Bowen

Alaska
Major General Craig E. Campbell

Arizona
Major General David P. Rataczak

Arkansas
Major General Don C. Morrow

California
Major General William H. Wade, II

Colorado
Major General Mason C. Whitney

Connecticut
Brigadier General Thaddeus J. Martin

Delaware
Major General Francis D. Vavala

District of Columbia
Major General David F. Wherley, Jr., Commanding General

Florida
Major General Douglas Burnett

Georgia
Major General David B. Poythress

Guam
Major General Donald J. Goldhorn

Hawaii
Major General Robert G. F. Lee

Idaho
Major General Lawrence F. Lafrenz

Illinois
Major General (IL) Randal E. Thomas

Indiana
Major General R. Martin Umbarger

Iowa
Major General G. Ron Dardis

Kansas
Major General Tod M. Bunting

Kentucky
Major General Donald C. Storm

Louisiana
Major General Bennett C. Landreneau

Maine
Major General John W. Libby

Maryland
Major General Bruce F. Tuxill

Massachusetts
Brigadier General (MA) Oliver J. Mason, Jr.

Michigan
Major General Thomas G. Cutler

Minnesota
Major General Larry W. Shellito

Mississippi
Major General Harold A. Cross

Missouri
Major General (MO) King E. Sidwell

Montana
Major General Randall D. Mosley

Nebraska
Major General Roger P. Lempke

Nevada
Brigadier General (NV) Cynthia N. Kirkland

New Hampshire
Major General Kenneth R. Clark

New Jersey
Major General Glenn K. Rieth

New Mexico
Brigadier General (NM) Kenny C. Montoya

New York
Major General Joseph J. Taluto (Acting)

North Carolina
Major General William E. Ingram, Jr.

North Dakota
Major General Michael J. Haugen

Ohio
Major General Gregory L. Wayt

Oklahoma
Major General Harry M. Wyatt, III

Oregon
Major General Raymond F. Rees

Pennsylvania
Major General Jessica L. Wright

Puerto Rico
Colonel (Ret) Benjamin Guzman

Rhode Island
Brigadier General John L. Enright, Acting

South Carolina
Major General (Ret) Stanhope S. Spears

South Dakota
Major General Michael A. Gorman

Tennessee
Major General Gus L. Hargett, Jr.

Texas
Major General Charles G. Rodriguez

Utah
Major General Brian L. Tarbet

Vermont
Major General Martha T. Rainville

Virginia
Brigadier General Robert B. Newman, Jr.

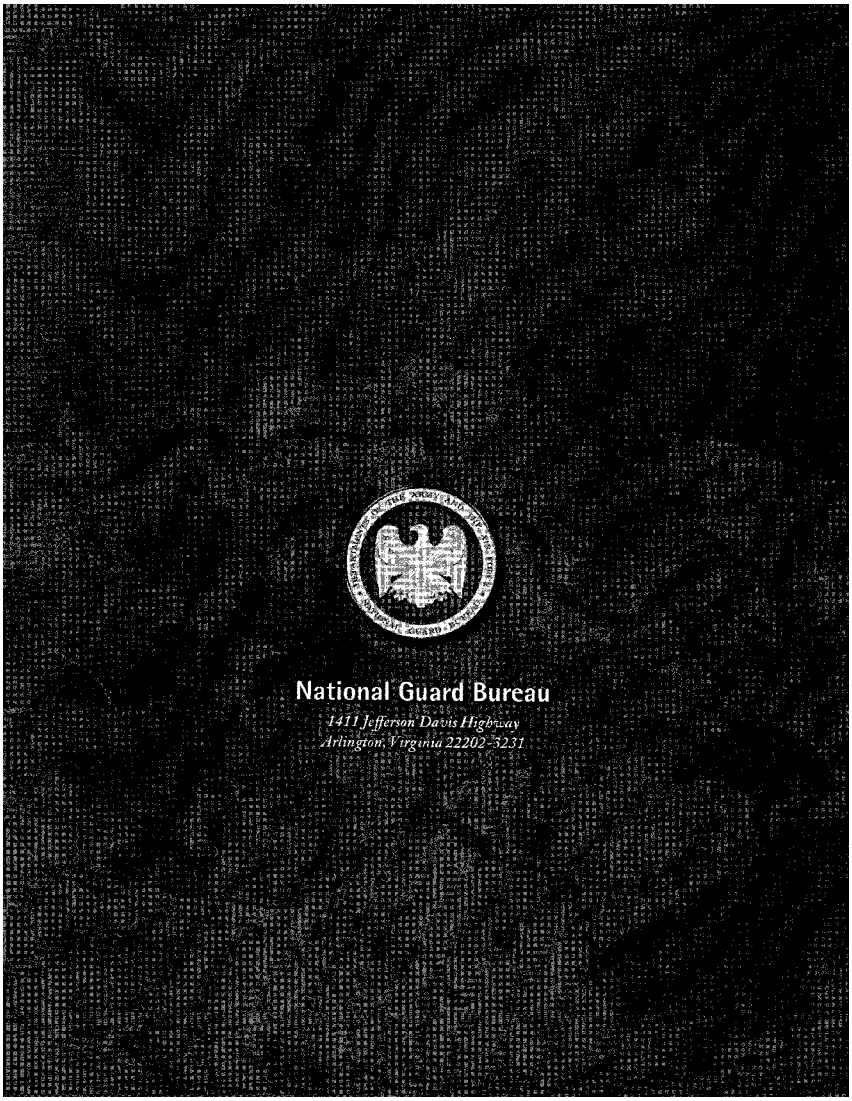
Virgin Islands
Brigadier General (VI) Eddy G. L. Charles, Sr.

Washington
Major General Timothy J. Lowenberg

West Virginia
Major General Allen E. Tackett

Wisconsin
Major General Albert H. Wilkening

Wyoming
Major General Edward L. Wright



Senator GRAHAM. Thank you, General. Thank you, Secretary Hall.

We're supposed to vote around 3:00, and I think we may have more than one vote, so we can stay until about 3:15. My goal is to ask meaningful questions, hear the testimony, and let you go on about your business, and see if we can get it all wrapped up by 3:15. I'm going to start and then let Senator Nelson take over.

Let's get directly to the point, the bottom line of your testimony, in a couple of areas. Number one, money and benefits matter when it comes to recruiting and retention. Have we proved that if you in-

crease the benefits and you increase the pay and the bonuses that it has a positive effect? Is that true or not?

Mr. HALL. I think it's true if you increase them in the areas that you want to target them towards. I think we need to target the benefits towards those bearing the brunt today. Sometimes when we target the benefits that are deferred compensation, we're not focusing on that trooper and their families serving today. That's where it's making the difference.

Senator GRAHAM. General?

General BLUM. Sir, the money speaks for itself. You hit on it earlier. Those that are re-enlisting in record numbers are all taking advantage of this bonus. Because of that, they're re-enlisting for a longer period of time. So, what we are getting from these bonuses is the most experienced, committed force that this Nation has ever had in its Reserve component.

Senator GRAHAM. I would like to add to that, in terms of knowing where we'll be in the future—if you had asked anybody at this table 5 years ago, "Would we have been at war for 4½ years? Would we have had multiple deployments? Would we have the Silver Star winners among the Guard and Reserve?", most people wouldn't have anticipated the future and our needs. So, my comment to you, Secretary Hall, is, the one thing I've found is that money and benefits matter, and we don't know who we're going to need next, and we don't know how much we're going to use them. I'm going to try, while my time is here as a committee chairman, to spread the benefits around to the whole force, and focus them effectively on the people who are bearing the brunt. The people bearing the brunt of this war are those in uniform. Every member of the Guard and Reserve is subject to leaving their family, and subject to being called up, domestically and internationally. That's why I believe TRICARE eligibility for every guardsman and reservist who is subject to deployment is important.

No one would argue that these two gentlemen you've just pointed out to us General Blum and their families should be denied the ability to have eligibility for full-time health care benefits, given their sacrifice to their country. They represent the best in us all. There a lot of people out there like me. I'm not deployable, so don't count me. There are a lot of people out there that haven't received Silver Stars, but they spend 1 weekend a month, 2 weeks a year, and who knows what comes their way? My message to the force at large is that you're appreciated, and the benefits need to be to the force at large, not just to a few who have sacrificed greatly.

Now, about equipment, what effect has this war had on our equipment accounts? What do we need to do differently to make sure the Guard and Reserve have the equipment they need to meet their demands and to make sure that doesn't hurt us, recruiting-and-retention wise? Where are we on equipment?

Mr. HALL. I'll start, and then turn to General Blum.

You've hit it right on the head. We have at least five areas in which we have to have equipment addressed and that's the reset of equipment, the repair of equipment, the equipment for modularity, the equipment for homeland defense, and then the overall equipment for training for the Guard and Reserve. In fact, we will need to add more money. From testimony before there's $21

billion in the Guard account, which is unprecedented, to address those needs, but I would say, candidly, there needs to be more. The President's budget this year has about $1.5 billion more for equipment than last year. Along with supplementals, we have started the effort, but my testimony would be that we need to sustain that. We need to look in 2008, when the budget comes up, to see that that $21 billion is added onto. General Schoomaker, before these committees, has stated that the goal now, as it has not been in the past, is to make sure that the Guard and Reserve are equipped with the same equipment and the same amounts of equipment as the Active-Duty Forces. That is his commitment.

That statement carries a lot of money with it. I think that's our goal. Our challenge is to make sure that we follow through on that goal.

Senator GRAHAM. That is welcome news, and I really appreciate your candor. I couldn't agree with you more. We're going to have to find the money, because we're not going to send people to war without the best equipment possible. We're not going to have the redheaded-stepchild-approach anymore to the Guard and Reserve, because you're just as subject to getting killed in the Guard and Reserve as you are on Active-Duty.

General BLUM. Sir, there's another dimension to that. I, too, welcome that. That's an unprecedented, historic commitment on the part of the DOD and the Department of the Army and the Department of the Air Force to adequately resource their Reserve components. My concern is that the good intent of Congress and the good intention of the commitment of the senior leadership still has to go through that path, through that long, snakelike Pentagon process that is not built to make sure that the congressional intent actually gets in the hands of the people that the aid was supposed to get to. I have absolutely no confidence that I have a way to track the $21 billion and make that match a serial number on a truck that ends up in Iowa or it ends up in some readiness center around the country. If that could be addressed, as well as the commitment, that would be hugely helpful.

Senator GRAHAM. That's a great suggestion.

I have one last question and I'll turn it over to Senator Nelson.

You said that we need 350,000 Reserve component people funded, General Blum. The President's budget doesn't quite get there. Do you agree, Secretary Hall, that that's what we need?

Mr. HALL. I do. After the budget was sent over, testimony from Secretary Harvey, General Schoomaker, and General Cody also agreed with the Secretary, that the Department is committed to funding a National Guard at the level they grow into including 350,000. That has developed since the budget was sent over. The number, as General Blum said, is 350,000. I think he's probably at about 337,000 right now, and growing. I am confident, also, with the incentives that they have put in, and that General Vaughn is pursuing, that they will get 350,000. That is the number which is to be funded to.

Senator GRAHAM. Thank you very much.

Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

Secretary Hall, the recently released QDR concludes that, "The Reserve component must be operationalized so that select reservists and units are more accessible and more readily deployable than today." To do this, the QDR proposes to increase the period authorized for the Presidential Reserve Call-up from 270 days to 365 days. What's the underlying rationale for extending the Presidential Reserve Call-up to 365 days? The President already has authority to mobilize Guard and Reserve members up to 24 months under his partial-mobilization authority.

Second, if this proposal is enacted, will you give us your assurance that the Department will not use it to circumvent the 24-cumulative-month limit on mobilization under the President's partial-mobilization authority?

Mr. HALL. I talked to all of the Guard and Reserve Chiefs before we came over, to get their view, and also to General Blum, because he has commanded under a Policy Review Committee. I asked each and every one of them, "If you had the authority to have 365 days, rather than 270 days, what would that do for you in the field?" In fact, I'll ask General Blum to tell you his experience in Bosnia and Kosovo. Each and every one of them said the same word, it gives more "flexibility." Many times, 270 does not fit the year that you need people. I think the short answer is, it provides more flexibility for all of them. I'll let them comment on that.

On the second point, the commitment—and, by the way, my personal view is 24 cumulative months ought to be the time. I know the word is "consecutive," but I think we need to track that, and that we do not have anybody serving involuntarily recalled beyond that 24-month cumulative months. That's my personal view.

General BLUM. Sir, I support expanding that authority to 365 days. It doesn't mean you have to use the whole year, but I personally experienced a task force made up of personnel from 21 States of multicomponent Active, Guard, and Reserve, and it would have been highly useful for me to have a slightly wider window to make all of those task forces that time-phase in. Everybody doesn't come in on the same day, and they don't all leave on the same day. You have elements of the task force that literally start months ahead, and some that come out months later, so it's very useful to have a couple of months on the end of 6 months, either way, so that you don't have risk for the ground commander, or the Joint Force Commander over there. He shouldn't have to assume risk because we're racing against the calendar. If we need a couple of more days, it is much more useful to provide those days. If it's not abused, I think it's a magnificent tool, or an additional arrow in the quiver of the Secretary of Defense and the President.

Senator BEN NELSON. Thank you. General Blum, as we're all aware, the administration surprised us with the proposed authorized end strength of 350,000 soldiers for the Army National Guard, with funding for only 333,000 soldiers, all without coordination with the Governors who would be affected by this reduction in funding. In response to this proposal, Senator Graham and I introduced a resolution that was adopted by the Senate honoring the service of our National Guard members and requesting consultation by the Secretary of Defense with Congress and the State Governors prior to offering proposals to change the National Guard

force structure. The Army has subsequently promised to fund whatever end strength the Army Guard achieves up to the authorized 350,000. The Army Guard is on a path to reach its authorized end strength.

Are you confident that the Army can find the funds to support the end strength above 333,000? Has the Army made a commitment to provide the equipment needed for the increased Army Guard end strength?

General BLUM. Secretary Harvey and General Schoomaker personally have committed to me that it is their full intention to restore the full $788.8 million that was taken out of the 2007 budget for the Army National Guard. That would be about $200 million, roughly, for personnel, a little over $200 million for operation and maintenance, and about $62.5 million for the Defense Health Program. What I never understood, but they have demonstrated a commitment to restore, is the over-$318 million worth of equipment and procurement that were taken out as part of that personnel reduction. They all, together, add up to $788.8 million for 2007. That will fix 2007, but I am concerned that 2008 through 2011 need to be addressed, as well, because if we follow the programmatics through the FYDP, the National Guard does not stop at 342,000 or 333,000; it ends up going as low as 324,000 in 2011. I don't think anyone here foresees a National Guard the size of 324,000 5 years from now, so why would we fund it at that level? I would like that looked into, please, or addressed carefully.

Senator BEN NELSON. Thank you.

Senator GRAHAM. Very good questions.

I'd like to end on this note. The idea of reducing the Reserve component by—what is it? 20,000? 22,000?

Mr. HALL. Well, it would be 17,000, and then 5,000 for the Army Reserve, for 22,000, total.

Senator GRAHAM. Does that make sense?

Mr. HALL. I think the testimony by the Army leadership we have referenced shows, in retrospect, it does not, and their commitment is to fund it to what they grow to. You've heard the General say that he is absolutely convinced that they will grow to 350,000, and that's what needs to be funded.

Senator GRAHAM. What a great answer. A good way to end.

Secretary Hall, thank you for your service. I know there's probably a lot of things you could do. You're a talented guy. I appreciate your helping us with our Reserve component issues and what you've done at the DOD.

General Blum, thank you for your candor. We're going to follow the money, too. We're going to make sure the equipment gets to the people who would be subject to needing it.

I feel pretty good, I really do. I think the money we've spent and the benefits we've redesigned are paying off. The challenges of this war are long from over. As a Nation, we've learned from this experience, and we're beginning to adapt. It's because of people's willingness to come up here and tell us the truth and provide us honest testimony about their needs. So, thank you both.

Second panel, please come forward. [Pause.]

Thank you all very much. Our second panel consists of Lieutenant Clyde A. Vaughn, Director of the Army National Guard; and

Lieutenant General Daniel James III, Director of the Air National Guard.

I want to add my congratulations to a long and distinguished career. I hate to see it come to an end, but you should be very proud of what you've done for our Nation. Thank you for your service, General James.

Lieutenant General James R. Helmly, you're going on to something new, but you can be proud of what you've done here. You have been an honest broker, and I will be forever in your debt about coming up here and telling us the truth as you see it.

Vice Admiral John G. Cotton, Chief, Navy Reserve; Lieutenant General John W. Bergman, Commander, Marine Force Reserve; and Lieutenant General John A. Bradley, Chief, Air Force Reserve, thank you all for coming, and we'll see if we can do this in 30 minutes.

We'll start from my left and go to my right.

STATEMENT OF LTG CLYDE A. VAUGHN, ARNG, DIRECTOR, ARMY NATIONAL GUARD

General VAUGHN. Thank you, Mr. Chairman and Senator Nelson.

First of all, I'd like to introduce my Command Sergeant Major John Gipe, from Kentucky, sitting with two great Kentucky Silver Star winners, by the way. There's a deal going over there or something.

Senator GRAHAM. Anybody else in the Guard, other than people from Kentucky? [Laughter.]

General VAUGHN. If the rest of them are like that, that's what we need. [Laughter.]

Senator GRAHAM. There you go. It seems like they're pretty tough in Kentucky.

General VAUGHN. Sir, thanks for your great support. These States have met all mission requirements this year from the high of Iraq in combat, in combat support, and in combat service support. You've heard all the details, how many brigade combat teams and all that were downrange.

We've had all these enduring requirements for some time in Kosovo, in Bosnia, and the Multinational Force and the observers in the Sinai, and it goes on and on and on, and, also with Hurricanes Katrina and Rita. Your great support for recruiting and retention initiatives and what you've done in this committee has made it possible for us to reach 350,000 end strength. I know we're in a hurry, but I really look forward to your questions, and I'd just like to thank you again for your great support.

STATEMENT OF LT. GEN. DANIEL JAMES III, ANG, DIRECTOR, AIR NATIONAL GUARD

General JAMES. I, too, would like to make my remarks brief. It has been quite a challenging tenure for the Air National Guard. We have been an operational Reserve, along with the Air Force Reserve. We've gone through that transition to operational Reserve. We've been funded at C–1 status, and we have very well-trained and very experienced units, but our equipment is getting a little old. Consequently, the Air Force would like to see it retired, and

we're working very hard to replace older equipment with new missions or newer equipment. Recapitalization is important.

I think one of my proudest moments in the Air National Guard occurred last year with Hurricane Katrina, when I, along with my colleague here to my right, General Vaughn, moved over 40,000 soldiers and airmen into the New Orleans area. In 9 days, we flew over 2,000 sorties, tens of thousands of tons of cargo, and, as I said, multiple thousands of soldiers. To me, those 9 days really proved the worth in the surge capability of the Guard. It didn't just stop right after that. We continued to supply that very much needed endeavor. I think it was a proud moment. Those 9 days reminded me of the Berlin airlift. We had tankers and 130s and all kinds of airplanes going in there. We had air-traffic controllers. We had people serving over 11,000 hot meals a day. We had civil engineers, security forces, communications specialists—everybody pitching in—and it was a proud moment.

As was mentioned earlier, I am challenged by recruiting and retention, and I'll go into more depth on those areas after my colleagues have a chance to make their opening remarks and answer any questions.

It has been my great privilege to serve this Nation, and I am very proud to be an American.

Senator GRAHAM. Thank you.

STATEMENT OF LTG JAMES R. HELMLY, USA, CHIEF, ARMY RESERVE

General HELMLY. Chairman Graham, Senator Nelson, thank you very much for the opportunity to be with you today.

I'm Ron Helmly. I'm an American soldier, and very proud of it. I thank you very much for your complimentary remarks. I've been proud to serve in this position.

I wish to say, in front of the committee, that I could not be prouder were I to be an enlisted member of the Army Guard, Air Guard, or any of the other Services you see represented before you. You're correct, we are, indeed, privileged to have the magnificent young Americans who populate all of our Armed Forces. I'm very proud to be a member of that force.

I wish to introduce to you two of our heroes from the United States Army Reserve today. With us today are Captain Jason Rawnsborg and Sergeant Jesse Smee. I'd ask them to stand, please.

Captain Rawnsborg completed a tour as commander of a transportation truck company at al Asad, where his unit maintained—I did not believe this myself—in excess of a 90-percent operational readiness rate, riding the roads from al Asad to Jordan, and supporting our comrades in the United States Marine Corps out of al Asad Combat Base. That was true. I was fortunate to visit with his unit last summer. They are, indeed, magnificent Americans.

Sergeant Smee was a truck driver out of Tikrit in Iraq, where he drove 5,000-gallon fuel tankers, a favorite target of the insurgents. We're privileged to have both of these noncommissioned officers (NCOs) and officers in our ranks. They represent the immensely strong, capable, character-strong Americans who populate our Services.

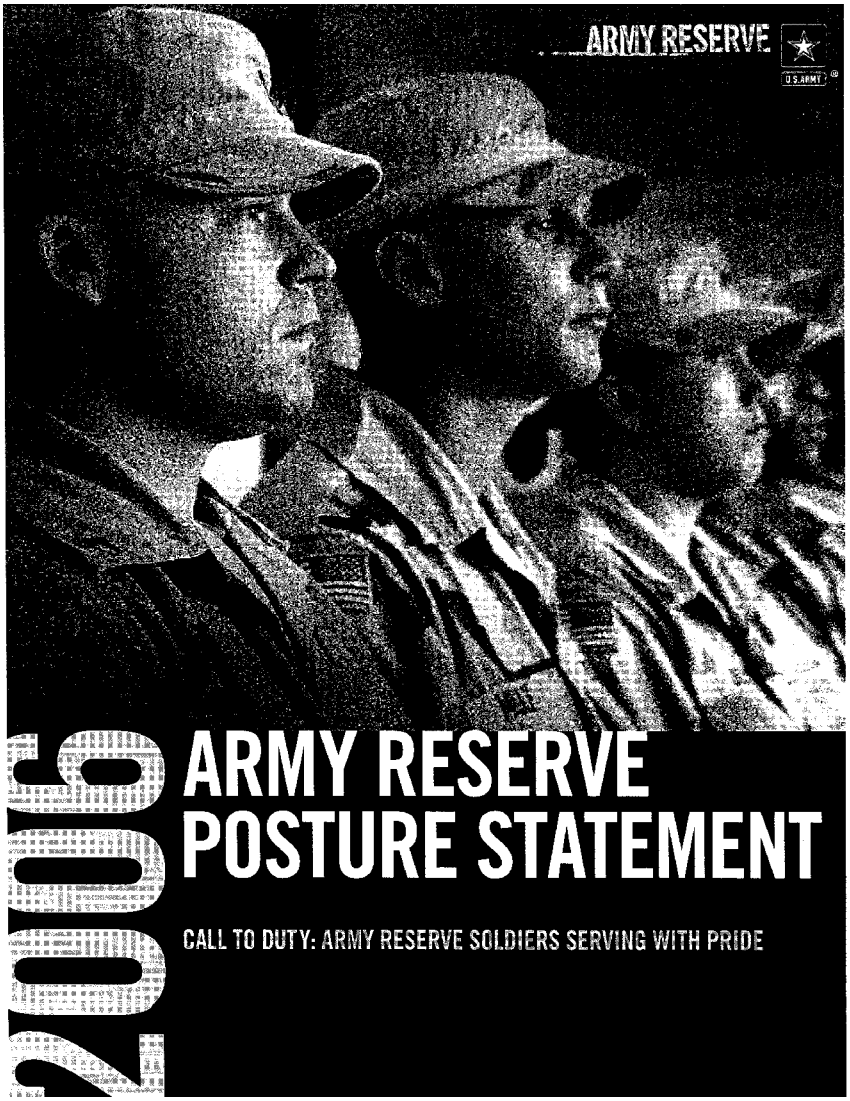
Thank you very much. [Applause.]

There is no doubt, Mr. Chairman, in my mind that our greatest challenge is manning the force. In fact, some years ago I was asked to speak at a breakfast here on Capitol Hill, and I remarked that I felt then that our three greatest challenges were manning the force, manning the force, and manning the force. That is simply because, in the some 33 years since we wisely moved to an All-Volunteer Recruited Force in our Armed Forces, this is the first extended-duration stress that we've placed on that force. Candidly, with regard to benefits and entitlements and those kind of things, in my own professional judgment, it is not so much the amount as the fact that we constantly are aware that it does play a role and that we move ahead of time to modernize those with the cost-of-living and with other entitlements and benefits provided to the Active Force, as well as in private life. What we found early in this conflict was that our recruitment and re-enlistment benefits, entitlements, educational benefits, TRICARE, et cetera, had not been modernized in over 5 years' time. They had been taken for granted, and they were not prepared to withstand the stress on the force.

So, I look forward to your questions about such matters, and thank you very much for your interest and your leadership in addressing those very important matters.

Thank you.

[The prepared statement of General Helmly follows:]


ARMY RESERVE
U.S. ARMY
2006
ARMY RESERVE
POSTURE STATEMENT
CALL TO DUTY: ARMY RESERVE SOLDIERS SERVING WITH PRIDE

A statement on the
Posture of the United States Army Reserve 2006

by

Lieutenant General James R. Helmly
Chief, Army Reserve and Commanding General, United States Army Reserve Command

Presented to
The Committees and Subcommittees
of the

UNITED STATES SENATE

and the

HOUSE OF REPRESENTATIVES
SECOND SESSION, 109th CONGRESS

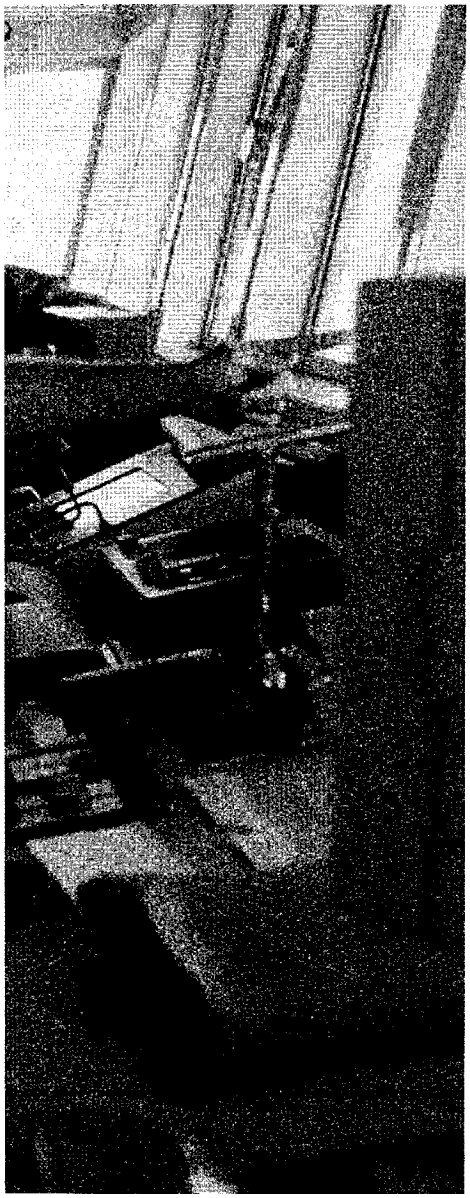
The annual Army Reserve Posture Statement is an unclassified summary of Army Reserve roles, missions, accomplishments, plans and programs.

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
www.armyreserve.army.mil/usar/home

PURPOSE AND ORGANIZATION OF
THE POSTURE STATEMENT

The *2006 Army Reserve Posture Statement* (ARPS) provides an overview of the Army Reserve. It details accomplishments of the past year, as the Army Reserve continued to implement profound changes while simultaneously fighting the Global War on Terrorism. The Army Reserve understands its vital role in The Army Plan. This plan, endorsed by the Secretary of the Army in the 2005 and 2006 Army Posture Statements, centers around four overarching, interrelated strategies. The Army Reserve best supports The Army Plan by complementing the joint force with skill-rich capabilities. The Army Reserve programs, initiatives and requirements are designed to provide this additional support and are best described in the following strategies: **1.** managing change; **2.** providing trained and ready units; **3.** equipping the force; and **4.** manning the force. These strategies ensure that the Army Reserve, as an integral component of the Army, continues to meet its non-negotiable contract with the American public: to fight and win our Nation's wars.



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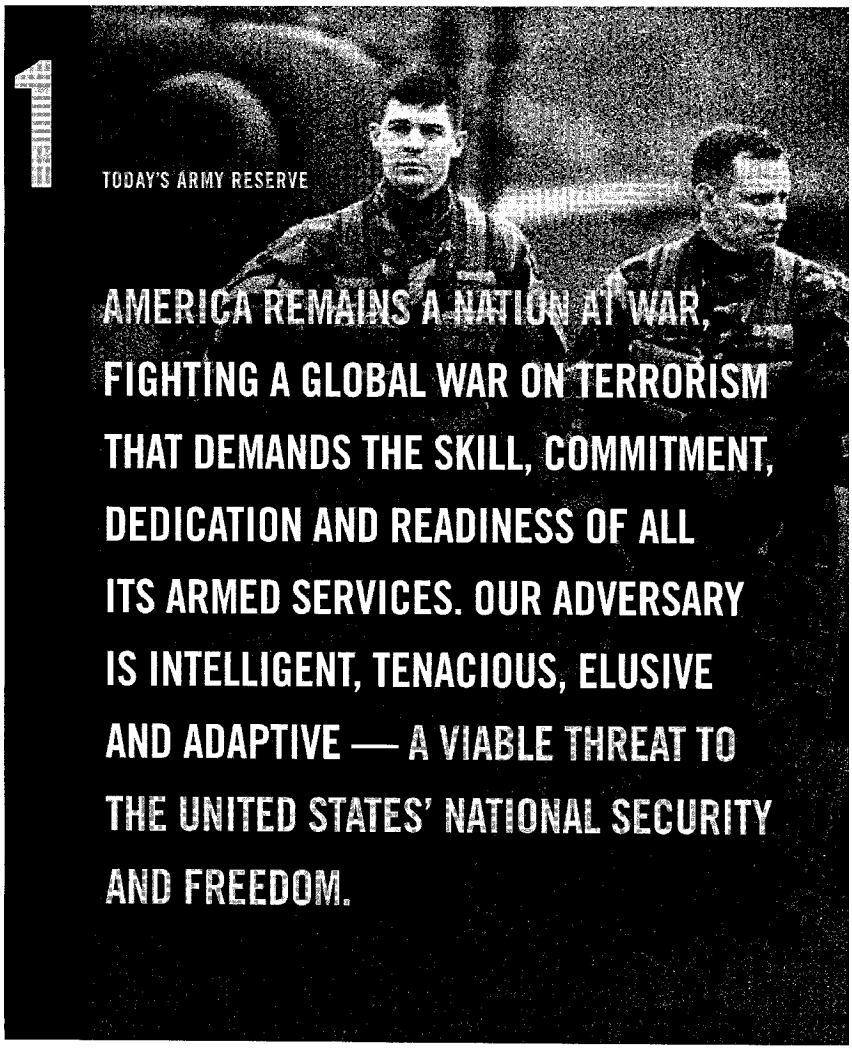
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TODAY'S ARMY RESERVE
AMERICA REMAINS A NATION AT WAR, FIGHTING A GLOBAL WAR ON TERRORISM THAT DEMANDS THE SKILL, COMMITMENT, DEDICATION AND READINESS OF ALL ITS ARMED SERVICES. OUR ADVERSARY IS INTELLIGENT, TENACIOUS, ELUSIVE AND ADAPTIVE — A VIABLE THREAT TO THE UNITED STATES' NATIONAL SECURITY AND FREEDOM.

By law, 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" — is a reminder that while the methods, tactics and adversaries we face in the Global War on Terrorism are drastically changed from that which we prepared for in the past, our Nation's dependence on the Army Reserve has not changed.

Today's Army Reserve is no longer a *strategic* reserve, it is a complementary, *operational* force, an *inactive-duty* force that uses the energy and urgency of Army transformation and the operational demands of the Global War on Terrorism to change from a technically focused, force-in-reserve to a learning, adaptive organization that provides trained, ready, "inactive-duty" Soldiers poised and available for active service, as if they knew the hour and day they would be called. This fundamental shift provides significant challenges to our institution. Managing critical but limited resources to achieve higher readiness and continuing to recruit high-quality Soldiers, and sustaining a high tempo of operations are among the most essential of these challenges.

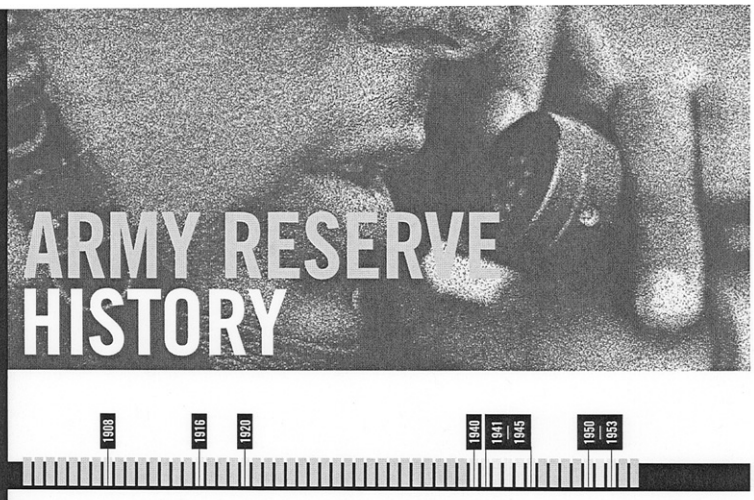
As a fully integrated member of our Nation's defense establishment, the Army Reserve depends on the resources requested in the President's budget. These funds allow the Army Reserve to recruit, train, maintain and equip forces to prepare for present and future missions. As detailed later in this document, the Army Reserve is simultaneously undergoing deep and profound change in how it organizes, trains, mans, manages, and mobilizes Soldiers and maintains its forces. We are reshaping the force to provide relevant and ready assets with a streamlined command and control structure. We are committed to examining every process, policy and program, and changing them to meet the needs of the 21st century as opposed to continuing them from the past. We will remain good stewards of the trust of the American public.

The Army Reserve's future — an integral component of the world's best Army, complementing the joint force with skill-rich capabilities, skills and professional talents derived from our Soldiers' civilian employment and perfected by daily use — is truly more a current reality than a future one. Every initiative, change and request is geared to one end — to make the United States Army Reserve a value added, integral part of the Army: the preeminent land power on earth — the ultimate instrument of national resolve — that is both ready to meet and relevant to the challenges of the dangerous and complex 21st century security environment.

The Army Reserve Soldier has always answered our country's call to duty — and we always will!

Lt. Gen. James R. Helmly
Chief, Army Reserve

2 ARMY RESERVE HISTORY



HISTORICAL BACKGROUND AND TODAY

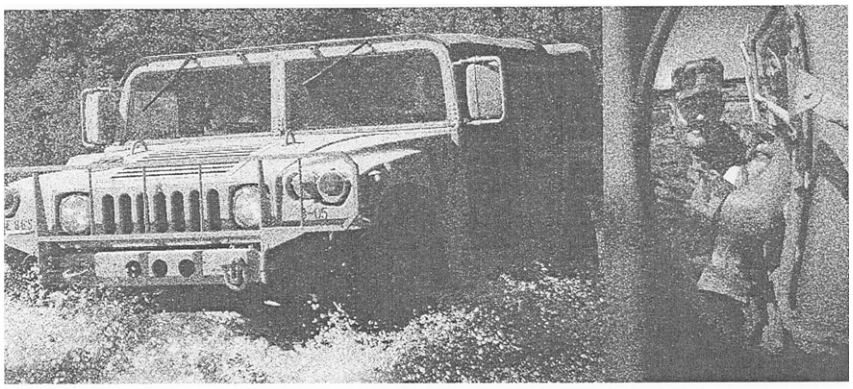
The Army Reserve is an institution with a long tradition of adapting to the changing security needs of the Nation. The profound changes currently underway today, with more than 40,000 Army Reserve Soldiers mobilized in support of the Global War on Terrorism, are an accelerated continuation of that tradition.

1908: The official predecessor of the Army Reserve was created in 1908 as the Medical Reserve Corps and subsequently titled the Organized Reserve Corps. It was a peacetime pool of trained officers and enlisted men that the Army mobilized as individual replacements for units in the world wars of the 20th century. Today, the Army Reserve makes up 67 percent of the Army's total medical force with physicians, dentists, nurses, and veterinarians bringing their civilian skills and experience to Soldiers on the battlefield.

1916: Using its constitutional authority to "raise and support armies," Congress passed the National Defense Act in 1916 that created the Officers' Reserve Corps, Enlisted Reserve Corps and Reserve Officers' Training Corps. The Army mobilized 89,500 Reserve officers for World War I (1917–1919), one-third of whom were physicians. Currently, more than 25,000 students at 1,100 colleges and universities are enrolled in Army ROTC.

1920: After the war, the separate Reserve corps for officers and enlisted men were combined into the Organized Reserve Corps, a name that lasted into the 1950s. Today, the Army's Title 10 force is known as the Army Reserve.

1940: In preparation for World War II, the Army began calling Army Reserve officers to active duty in June 1940. In the year that followed, the number of Reserve officers on active duty rose from less than 3,000 to more than 57,000.



1941-1945: During World War II (1941-1945), the Army mobilized 26 Reserve (designated) infantry divisions. Approximately a quarter of all Army officers who served were from the Reserve, including over 100,000 Reserve Officers' Training Corps graduates. More than 200,000 Reserve Soldiers served in the war.

1950-1953: The Korean War (1950-1953) saw more than 70 units and 240,000 Army Reserve Soldiers called to active duty. While the Korean conflict was still underway, Congress began making significant changes in the structure and role of the Reserve. These changes transformed the Organized Reserve into the United States Army Reserve.

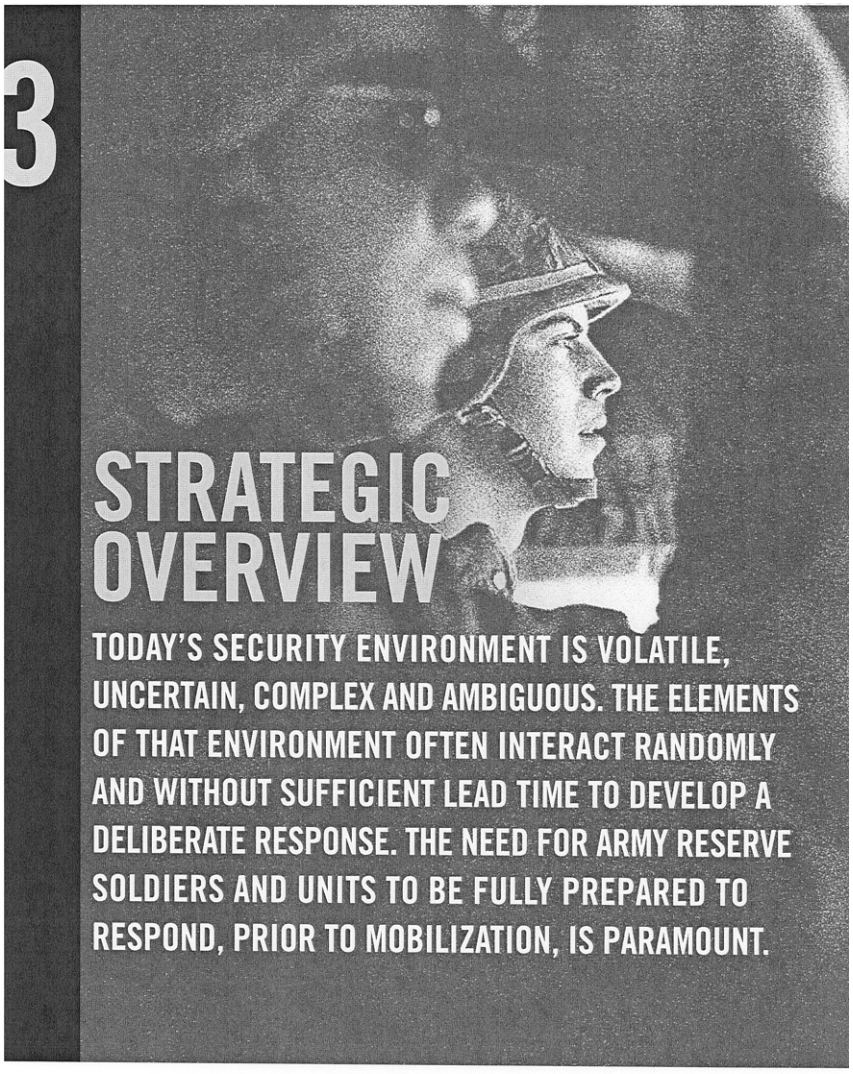
1970s: By the 1970s, the Army Reserve was increasingly structured for combat support and combat service support. The end of the draft coincided with announcement of the Total Force Policy in 1973. The effect of an all-volunteer force and the Total Force Policy was a shift of some responsibilities and resources to the Army Reserve. Today, in the spirit of the Total Force policy, when America's Army goes to war, the Army Reserve goes to war.

1991: Army Reserve Soldiers were among the first reserve component personnel called to active duty for operations Desert Shield/Desert Storm and were among the last to leave the desert. More than 84,000 Army Reserve Soldiers provided combat support and combat service support to the United Nations forces fighting Iraq in the Persian Gulf and site support to United States forces elsewhere in the world.

1993: In the post-Cold War era, the Army restructured its reserve components. Reduction in active-component end strength made the Army even more reliant on the Army Reserve and the Army National Guard. A 1993 agreement among all three components called for rebalancing the preponderance of reserve component combat formations in the Army National Guard, while the Army Reserve would principally focus on combat support and combat service support. Today, the Army Reserve provides 30 percent of the Army's combat support and 45 percent of its combat service support capabilities.

1995: Since 1995, Army Reserve Soldiers have been mobilized continuously. For Bosnia and Kosovo, 20,000 Army Reserve Soldiers were mobilized.

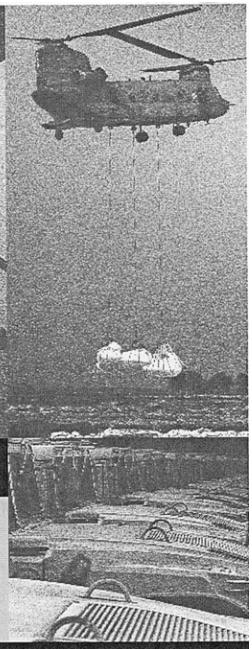
2005: As of February 2006, more than 147,000 Army Reserve Soldiers have been mobilized in support of the Global War on Terrorism, with more than 40,000 still serving on active duty.



3

STRATEGIC OVERVIEW

TODAY'S SECURITY ENVIRONMENT IS VOLATILE, UNCERTAIN, COMPLEX AND AMBIGUOUS. THE ELEMENTS OF THAT ENVIRONMENT OFTEN INTERACT RANDOMLY AND WITHOUT SUFFICIENT LEAD TIME TO DEVELOP A DELIBERATE RESPONSE. THE NEED FOR ARMY RESERVE SOLDIERS AND UNITS TO BE FULLY PREPARED TO RESPOND, PRIOR TO MOBILIZATION, IS PARAMOUNT.



WORLD CONDITIONS REVEAL A VARIETY OF EMERGING CHALLENGES TO OUR NATIONAL SECURITY INTERESTS:

- WIDER RANGE OF ADVERSARIES
- WEAPONS OF MASS DESTRUCTION
- ROGUE STATE ARMIES
- CYBER NETWORK ATTACKS
- WORLDWIDE TERRORISM
- THE GLOBAL ECONOMY

NATIONAL CONDITIONS PRESENT ADDITIONAL CHALLENGES:

- PROTRACTED WAR
- HOMELAND DEFENSE
- BUDGET PRESSURES
- PUBLIC FOCUS
- GLOBAL WAR ON TERRORISM (GWOT)
- DISASTER RESPONSE / RELIEF
- DECLINING MANUFACTURING BASE
- PROPENSITY FOR MILITARY SERVICE

Within such an environment, the Army Reserve is changing from a *strategic* reserve to an inactive-duty force of skill-rich capabilities with enhanced responsiveness to complement the Army's transformation to a more lethal, agile and capabilities-based modular force. The Army Reserve's force structure is no longer planned as a force in reserve — a "supplementary force;" rather, it is a force that complements the Army and joint forces. Today's units are to be prepared and available to deploy with their full complement of trained Soldiers and equipment when the Nation calls.

This transformation will progress as the Army Reserve continues to meet the ongoing operational challenges of the Global War on Terrorism, while simultaneously supporting other missions around the globe.

4

MANAGING CHANGE

ACCOMPLISHMENTS

Since the beginning of 2005, the Army Reserve has:

- Developed and applied a cyclic readiness and force management model, currently called Army Force Generation (ARFORGEN). Applied the ARFORGEN logic to how Army Reserve units are scheduled and resourced for deployment. In 2005, about 75 percent of the Army Reserve mobilized units came from the ARFORGEN model.
- Programmed inactivation of 18 general officer non-war-fighting headquarters.
- Awarded 11 military construction contracts in 2005 to construct nine new Army Reserve training centers that will support more than 3,500 Army Reserve Soldiers in Kansas, Florida, Utah, Pennsylvania, Maryland, New Jersey and Colorado.
- Awarded two major range improvement project contracts for Fort McCoy, WI.
- Activated two functional commands, the Military Intelligence Readiness Command and Army Reserve Medical Command, providing focused training and force management for medical and military intelligence Army Reserve forces.
- Began realignment of command and control of U.S. Army Civil Affairs and Psychological Operations forces from Special Operations Command to the U.S. Army Reserve Command to improve training and force management.
- Initiated action to close or realign 176 Army Reserve facilities under BRAC, a higher percentage than any other component of any service, moving Army Reserve Soldiers into 125 more modern facilities.
- Began applying Lean Six Sigma business management techniques to improve supporting business processes and methods.

Transforming to meet today's demand for Army Reserve forces has led to the development of a host of initiatives. When implemented, these initiatives **will accomplish** the following:

- **Ensure more focused and efficient management, increasing units' and Soldiers' readiness**
- **Increase the number of Army Reserve Soldiers in deployable units**
- **Provide improved facilities and more effective training to Army Reserve Soldiers**
- **Streamline the command and control of Army Reserve forces**
- **Increase the number of Soldiers in specialties needed to support the GWOT**
- **Improve the Army Reserve business, resourcing and acquisition processes**

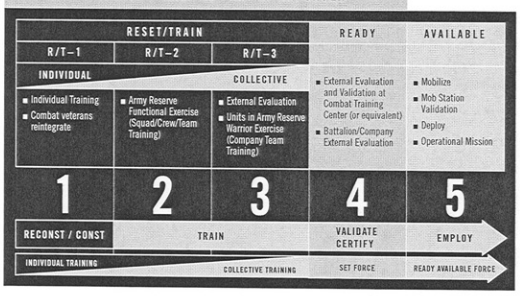
FOCUSED, EFFICIENT MANAGEMENT: ARMY RESERVE EXPEDITIONARY FORCE

The foundation for Army Reserve support to future contingencies is the Army Reserve Expeditionary Force (AREF). Incorporating a strategy for cyclically managing Army Reserve force readiness, AREF directly supports the Army's Force Generation model. AREF applies Army rotational force doctrine to decisions regarding training, equipping and leader deployment. The management system applies packaged and cyclic resourcing of capabilities instead of the outmoded, tiered resourcing model, which supported a now obsolete, time-phased force deployment list against prescriptive operational plans. AREF provides more focused, efficient support to units about to deploy by developing packages that can be called to duty as needed. The system also capitalizes on constrained resources to best utilize equipping and readiness dollars.

Under AREF, most Army Reserve units are assigned to one of the expeditionary force packages. The packages move through a rotational cycle of readiness levels, ranging from reconstitution to validation and employment. The units in each package will have a one-year "availability" period during which they will be "on call" or deployed. AREF enables the Army Reserve to achieve a high level of readiness in planned, deliberate time periods and provides a means to program and manage resources in advance. This resourcing strategy also ensures that deploying units be trained individually and collectively on the most modern equipment and have that equipment available when needed.

When fully implemented, the AREF strategy will add rotational depth to the force, spread the operational tempo more evenly throughout the Army Reserve, and add predictability to the processes that support combatant commanders, Soldiers, families and employers.

U.S. ARMY RESERVE – AREF AS PART OF ARFORGEN



INCREASING THE OPERATIONAL FORCE

In 2005, the Army Reserve began divesting itself of force structure that exceeded its congressionally authorized end strength of 205,000. The Army Reserve also began reducing the number of spaces in non-deploying units. These actions allow more Soldiers to be assigned to deployable units and to be fully prepared for mobilization. This process requires a substantial "leaning out" of our training base and support headquarters, while carefully maintaining high quality training and support services. As an example of training base efficiencies, in fiscal year 2005, the Army Reserve continued to develop the new 84th U.S. Army Reserve Readiness Training Command that resulted from the merger of the Army Reserve Readiness Training Center and the Headquarters of the 84th Division (Institutional Training). This consolidation improved the Army Reserve's individual training and leader education capabilities while creating leaner training support command and control structures. Reducing the number of units and focusing efforts to get more Soldiers into deployable units will allow more effective and cost-efficient management.

IMPROVED FACILITIES AND TRAINING SUPPORT: REALIGNMENT AND CLOSURE

Base Realignment and Closure (BRAC) 2005 enables the Army Reserve to reshape its force and command, control and management headquarters, improving readiness while realizing significant cost reductions.

The BRAC 2005 recommendations became law in November 2005. BRAC provides the Army Reserve the opportunity to station forces in the most modern, up-to-date facilities possible and to redesign a Cold-War structure that no longer reflects current requirements. Under BRAC, the Army Reserve will close or realign 176 of its current facilities. This is a higher percentage than any other military component. Army Reserve units from these older centers and facilities will move into 125 new Armed Forces Reserve centers (AFRCs) that are shared with at least one other reserve component, helping support "jointness" and efficiency. This construction will eliminate duplication of facilities within the same geographical areas serviced by different components of our Armed Forces. Some of these moves have already begun. The new AFRCs will have high-tech, distance learning, and video teleconferencing capabilities, fitness centers, family readiness centers, and

enhanced maintenance and equipment storage facilities. These dramatic changes, closely coordinated among Army Reserve planners and the BRAC agencies, were synchronized with the Army Reserve's overall effort to reduce its organizational structure and allow more deployable forces.

STREAMLINE COMMAND AND CONTROL

Assisted by BRAC, the executive restructuring of Army Reserve forces creates a more streamlined command, control, and support structure, develops future force units and reinvests non-deploying force structure into deploying units. The Army Reserve will disestablish the current 10 regional readiness commands (RRCs) that provide command and control, training, and readiness oversight to most of the Army Reserve units in the continental United States, and will reduce the number of general-officer commands.

Simultaneously, four regional readiness sustainment commands (RRSCs) will be established. These RRSCs, which will be fully operational by the end of fiscal year 2009, will provide base operations and administrative support to units and Army Reserve Soldiers within geographic regions. For the first time, all of the Army Reserve operational, deployable forces will be commanded by operational, deployable command headquarters.

Some of the future force brigade-level units will include support brigades (e.g., maneuver enhancement brigades, sustainment brigades, engineer, combat support, chemical and military police brigades).

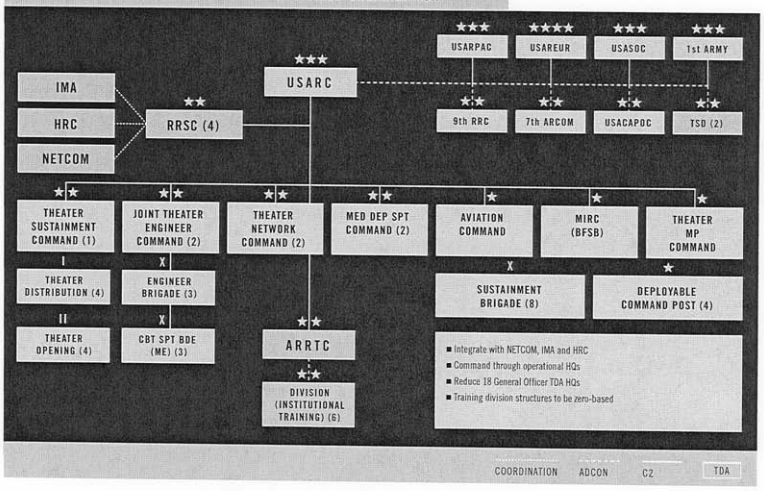
Two functional, deployable commands were converted in 2005. The Army Reserve activated the Military Intelligence Readiness Command (MIRC) at Fort Belvoir, VA, and the Army Reserve Medical Command (AR-MEDCOM) at Pinellas Park, FL. The MIRC is integrated with the Army Intelligence and Security Command, and the AR-MEDCOM is integrated with the Army Medical Command. The AR-MEDCOM will eventually be further converted to a medical deployment support command and will be deployable. Aviation and military police commands are two additional functional commands being activated.

The result of the reshaping of the Army Reserve forces will be a more streamlined command and control structure and an increase in ready, deployable assets to support the Global War on Terrorism.

INCREASING CIVIL AFFAIRS AND PSYCHOLOGICAL OPERATIONS ASSETS

The skills required today to assist civil governments gain their footing are not inherently military. It is in the ranks of the Army Reserve where city managers, bankers, public health directors

THE ARMY RESERVE: A LEANER, MORE STREAMLINED ORGANIZATION



LEADERS ARE CONSTANTLY QUESTIONING CURRENT BUSINESS PROCESSES WITHIN THE ARMY RESERVE TO ASSESS THEIR VALUE TO READINESS AND TO SEEK WAYS TO IMPROVE RESPONSIVENESS.

and other such specialists vital to stability and support operations are found. For example, 96 percent of the Army's current Civil Affairs Soldiers are Army Reserve Soldiers; two of the three Psychological Operations groups — with their valued skills — are in the Army Reserve.

Over the next five years, the Army Reserve will add 904 Civil Affairs Soldiers and 1,228 Psychological Operations Soldiers to its inventory. The addition of these critical skills to the Army Reserve comes without additional Congressional funding; the positions will be transferred from the existing force.

Additionally, the Chief of Staff of the Army has approved the transfer of Army Reserve Civil Affairs and Psychological Operations forces from the U.S. Special Operations Command to the U.S. Army Reserve Command. This will fully integrate Army Reserve Civil Affairs and Psychological Operations elements into the conventional force, providing dedicated support to conventional operations.

IMPROVING BUSINESS PRACTICES

The Army Reserve is aggressively incorporating Lean Six Sigma concepts and practices into its business processes. Six Sigma is a problem-solving methodology that uses data and statistical analysis to create break-through performance within organizations.

The Army Reserve is embracing this program not only as an efficiency tool, but also as the very foundation for change. To demonstrate this commitment, the Army Reserve has stepped forward as a front-runner in Lean Six Sigma implementation within the Army. The Chief, Army Reserve has mandated Army Reserve leaders to constantly question and review current business processes within the Army Reserve to assess their value to readiness and to seek ways to improve responsiveness.

In conjunction with the Secretary of the Army's business transformation order, the Army Reserve began development of its deployment plan and completed classroom training of five Six Sigma "green belts" (coach-facilitators), who are currently working their first projects. In addition, 40 senior leaders received two-day executive level business transformation training.

The continuation of training is planned with a goal of institutionalizing the Army Reserve program fully by achieving the highest level Six Sigma certification within the Army staff. The organizational structure to support the program is being defined and established to ensure top-level support.

COMPELLING NEEDS

- Continued support of Army Reserve Expeditionary Force and other programs associated with Army Force Generation
- Steady funding line for BRAC-generated changes to Army Reserve facilities

5

PROVIDING TRAINED AND READY UNITS

THE ARMY RESERVE WAS ON THE LEADING EDGE IN TRAINING IRAQI FORCES. THEIR CONTINUING EFFORTS WILL ENABLE THE IRAQIS TO PROVIDE THEIR OWN SECURITY AND THUS HASTEN THE EVENTUAL WITHDRAWAL OF AMERICAN FORCES FROM IRAQ.

ACCOMPLISHMENTS

Since 9-11:

- As of February 2006, the Army Reserve had mobilized more than 147,000 Soldiers; more than 25,000 of those Soldiers served on multiple deployments
- 98 percent of Army Reserve units have provided support to current operations

Fiscal Year 2005 and beyond:

- Performed over 1,900 unit mobilizations in fiscal year 2005
- Provided a CH-47 Chinook aviation company to support Pakistan earthquake relief efforts, transporting victims, relocating refugees and delivering supplies
- Provided relief support in response to Indiana tornado damage, locating victims, draining lakes and retaining pond areas
- Supported Gulf Coast hurricane relief efforts by flying CH-47 Chinook helicopters and providing two truck companies to transport supplies, Soldiers and flood victims
- Scheduled Army Reserve units in 2006 and 2007 to align with the Army Reserve Training Strategy (ARTS) to produce a trained and ready force using a cyclic force readiness model
- Developed and implemented the Exercise WARRIOR to challenge units' collective responsiveness under stressful, contemporary operating environment conditions
- Refined existing functional exercises (targeted to a specific branch) to LEGACY exercises to train technical skills in a tactical environment

OPERATIONS

In December of 2005, more than 40,000 Army Reserve Soldiers were serving on active duty in 18 countries around the world. This is a much changed world from the one the Army Reserve operated in less than a decade ago.

The Army Reserve is on the leading edge in training Iraqi forces. More than 750 Soldiers from the Army Reserve's 98th Division (Institutional Training), Rochester, N.Y., and other Army Reserve units returned from Iraq after spending a year training Iraqi military and security forces. Soldiers from the 80th Division (Institutional Training), Richmond, VA, replaced the 98th and continue this critical mission today. Their continuing efforts, in conjunction with other coalition forces, will enable the Iraqis to increasingly provide their own security, thus hastening the eventual maturing of Iraq's fledgling democracy. From supporting all military branches, running truck convoys of food, ammunition, fuel and various other items, to responding to ambushes and directly engaging the enemy, the Army Reserve has been an integral element of

the U.S. military and coalition efforts in Iraq, Afghanistan and elsewhere throughout the CENTCOM area of responsibility.

CIVIL SUPPORT

In September 2005, the Army Reserve deployed emergency preparedness liaison officers, CH-47 heavy-lift helicopters, military history detachments and truck companies to assist in the federal disaster response to hurricanes Katrina and Rita.

During the mission, the Army Reserve made available three Army Reserve centers to house National Guard Soldiers responding from other states. Additionally, the centers provided operating space for the Federal Emergency Management Agency and first responder representatives.

The Army Reserve also provided desperately needed fuel for the American Red Cross in order to sustain refrigeration of perishable food for the evacuees.

As recent missions make clear, the Army Reserve has significant numbers of potentially critical capabilities that may be needed in future homeland defense and security missions. These capabilities include skilled medical professionals who can practice anywhere in the United States, hazardous materials reconnaissance, casualty extraction from inside a combat zone, mass casualty decontamination, critical medical care, engineering support and water purification.

As of September 2005, the Army Reserve, in conjunction with the Pennsylvania State Fire Academy, had trained and certified more than 350 Army Reserve chemical Soldiers to the federal standard, and trained more than 2,400 chemical and medical Soldiers to perform mass casualty decontamination.

Twenty-five Army Reserve chemical defense units are fielded with specialized weapons of mass destruction-response equipment for hazardous material and mass casualty decontamination operations. However, sustaining and upgrading these robust capabilities is not achievable under current funding levels.

ARMY RESERVE TRAINING STRATEGY

As the world and its threats have changed, so have the ways the Army Reserve approaches preparing and training its members to fight the nation's battles and protect its vital interests. The Army Reserve Training Strategy (ARTS) is the strategic training vision, establishing the fundamental concepts to implement the train-alert-deploy model for Army Reserve Soldiers. ARTS creates progressive training and readiness cycles, which provides priorities for resources, managed readiness levels and predictable training. Today's environment does not accommodate yesterday's "mobilize-train-deploy" model. Today's Army Reserve Soldiers must be trained and ready prior to mobilization as if they knew the day and hour they would be called. ARTS is a critical element of the Army Reserve Expeditionary Force, which supports the Army Force Generation (ARFORGEN) model. As units advance through a series of cumulative and progressively complex training events, each training phase improves the level of unit readiness.

- During the reset/train phase of ARFORGEN, Army Reserve units begin reconstitution as Soldiers complete needed professional education and other skill-related training. The focus and priority is on individual training. The culminating event for the reset/train phase of ARFORGEN is the WARRIOR exercise; a multi-functional, multi-echelon, multi-component, joint and coalition event that improves unit proficiency at the company/platoon level.
- Units in the second year of the Reset/Train force pool will concentrate on perfecting their collective mission tasks by participating in functional exercises at the squad/crew level. The Army Reserve conducts a wide range of functional exercises throughout the United States providing skill specific training for Soldiers and units under field conditions. For example, the Quartermaster Liquid Logistics Exercise provides a challenging collective training venue for water purification, water production, and petroleum, oil and lubricants (POL) units. Other functional exercises are conducted for military police, transportation, maintenance and medical units.

The readiness and training goals for Army Reserve forces are the same as those for the Active component and in every instance the Army Reserve has provided trained and ready Soldiers. 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 Army Reserve Soldiers competes with numerous civilian career priorities and must be used effectively and efficiently.

PREMIER TRAINING: WARRIOR EXERCISE (WAREX)

Warrior exercises are combined arms "combat training center-like" exercises. These exercises include opposing forces, observer-controllers and structured after-action reviews. They provide branch/functional training for combat support/combat service support units in a field environment. Future warrior exercises will also serve as the capstone, externally evaluated, collective training event to move Army Reserve units from the Reset/Train Pool of AREF into the Ready Pool. The 90th Regional Readiness Command conducted the first Warrior

Exercise in June 2005 at Fort Bliss, Texas, training more than 3,500 Soldiers.

EXPERIENCE-BASED TRAINING

Capitalizing on recent experiences in the Global War on Terrorism and lessons learned, Army Reserve training continues to adapt to meet changing battlefield conditions and an agile, thinking enemy.

Counter Improvised Explosive Device Train-the-Trainer (T3) Course

Initially unsophisticated and relatively easy to detect as a roadside bomb, improvised explosive devices (IEDs) have become more complex in design and increasingly lethal over time. The purpose of the Counter Improvised Explosive Device (CIED) Train-the-Trainer (T3) Course is to train trainers in countering IED threats, with the first priority being those troops mobilizing and deploying to Iraq and Afghanistan. The goal is to close the tactical performance gap between unit pre-mobilization training tasks, conditions, standards, and the actual tactical environment and mission expectations in theater.

The 84th U.S. Army Reserve Readiness Training Command at Ft. McCoy, WI, trained 360 Soldiers during several five-day CIED T3 courses in fiscal year 05. These trainers have returned to their home stations to integrate CIED training into their training programs. CIED training provides graduates the knowledge, skills and ability to provide expert advice to their unit commanders as they develop a training strategy that incorporates CIED tactics into multi-echelon, pre-mobilization training.

Convoy Training

Convoys are now combat patrols. Recognizing the dangers of convoy operations, the Army Reserve has developed and implemented a convoy training program. In addition to counter attack methods, the training familiarizes Soldiers with the driving characteristics of armored vehicles. The program focuses on three specific areas:

- Counter Improvised Explosive Device train-the-trainer skills
- Integration of live fire into convoy operations training
- Development of a combat driver training program that will progressively develop individual driver skills and unit convoy capabilities as units migrate through the ARFORGEN/AREF cycle. An initial, individual skills development program employing High Mobility Multi-purpose Wheeled Vehicles (HMMWVs) with kits installed to replicate the driving characteristics of up-armored HMMWVs was initiated in 2005.

The priority of training is to units that are scheduled for deployment.

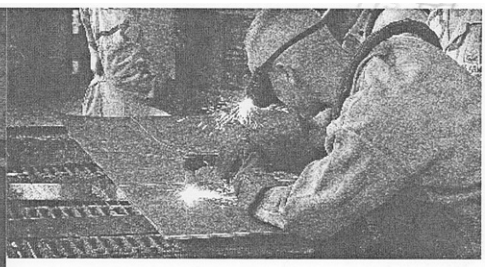
Combat Support Training Centers

The Army Reserve plans, after BRAC implementation, to establish two combat support training centers (CSTCs) — the CSTC at Fort Hunter Liggett, CA, and the Joint Mobilization Training Center at Fort Dix, N.J. These will provide much-needed training and maneuver space for technical and field training in austere environments, more rigorous and realistic weapons qualification, classroom training, and capability to conduct Army Reserve unit collective training as well as support the Warrior Exercise program described earlier. Both training centers will also support joint, multi-component, interagency, and convoy training; up to brigade level at Fort Hunter-Liggett, and up to battalion level at Fort Dix.

Units in the Army Reserve must experience a combat training center (CTC) or combat training center-like event to validate training and readiness levels prior to mobilization. The Army Reserve continues to partner with Forces Command to incorporate its combat support and combat service support in the combat training center rotations. Additionally, the Army Reserve will assist in the development of the concept for exportable CTC capability for reserve component units unable to access training at the National Training Center or Joint Readiness Training Center. CTC and/or exportable training are essential, not only for unit preparation for mobilization and deployment, but also for the longer term leader development impacts such training experiences provide.

Center for Lessons Learned Mobile Training Team Seminar

The Army Reserve collaborated with the Army's Center for Lessons Learned (CALL) in 2005, dispatching mobile training teams (MTTs) which conducted four regional seminars to unit leadership teams, with a specific focus on those units identified for mobilization in 2006. These CALL MTTs provided orientations on the Islamic and Iraqi culture, the most recent lessons-learned emerging from theater, highlights of unit after action reports, and the most effective combat tactics, techniques and procedures. The MTT discussion topics also include a current Operation Iraqi Freedom/Operation Enduring Freedom operations overview highlighting challenges units can expect during the mobilization and deployment process.



The Army Reserve Leadership Development Campaign Plan
The Army Reserve Leadership Development Campaign Plan, updated and operationalized in 2005, establishes requirements and integrates programs unique to the Army Reserve. Two of the more significant components are:

The Senior Leader Training Program focuses on general officer and colonel-level leaders with seminars focused on organizational change, Army transformation and ethics-based leadership. All major subordinate commands of the Army Reserve Command as well as the 7th Army Reserve Command (Europe), 9th Regional Readiness Command (Hawaii), and the Army Reserve Staff have undergone this training.

The Army Reserve Brigade and Battalion Pre-Command Course has been upgraded to better prepare field grade commanders and command sergeants major to lead Army Reserve Soldiers. In addition to a company pre-command course for commanders, Army Reserve company command teams (commanders, first sergeants and unit administrators) participate in a new company team leader development course to better prepare unit command teams for the challenges of leadership at the crucial company level.

ENHANCING MOBILIZATION

In order to enhance the readiness of mobilizing units, the Army Reserve is successfully using a process called phased mobilization. The goal of phased mobilization is to minimize unit personnel reassignments, enhance Soldier medical and dental readiness and skill training, improve unit leadership, and enhance individual skill and unit collective training prior to unit deployments.

Under the phased mobilization concept, selected unit personnel mobilize in intervals prior to the entire unit's mobilization so that they may perform Soldier leader training, Soldier skill training and unit collective training. Phased mobilization allows selected Soldiers to receive individual training according to a planned and phased schedule that ensures they are fully trained and mission ready for timely mission execution. Additional funding will be required to support this crucial program.

COMPELLING NEEDS

- Increase fiscal year 2007 Reserve Personnel, Army Reserve funding levels.
  - To resource Army Force Generation-phased training requirements including new equipment training, improved collective training, Warrior Exercises, leader education and mission environment familiarization training
- Increase fiscal year 2007 Operation and Maintenance, Army Reserve funding levels
  - For increased emphasis and additional operating tempo for warrior task and drill training; skill reclassification training, convoy live fire training and additional support
  - Training equipment sets to support Army Reserve Training Centers
  - For dedicated equipment training sets at centralized locations and training equipment sets for schools and deployable units
  - To replace Army Reserve-owned Stay-Behind-Equipment left in Southwest Asia
  - For Modular Force equipment needed for unit level collective training in a field environment and to support designated individual and collective training locations
- Establishment of Combat Support Training Centers
  - To establish and resource combat support training centers at a minimum of two of the Army Reserve's four primary installations

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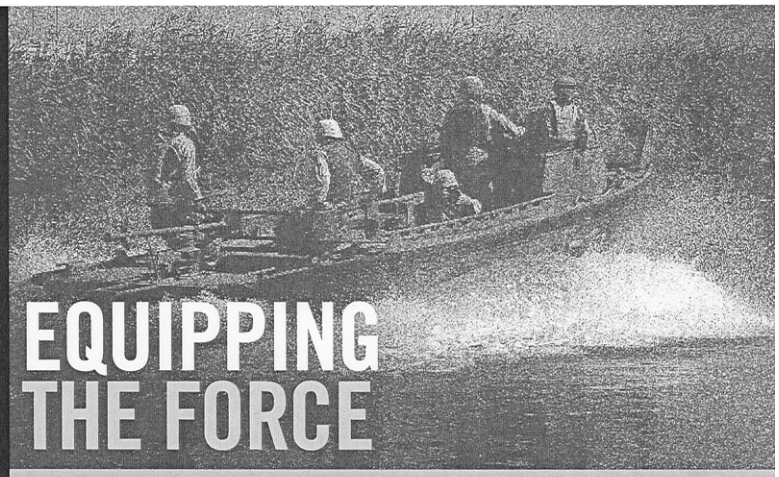


EQUIPPING THE FORCE

ACCOMPLISHMENTS

Since 9-11:

- Mobilized virtually entire Army Reserve deployable strength without a single unit being rejected for logistics readiness — more than 250,000 items (50,000 transactions) cross-leveled among Army Reserve units
- Developed and fielded a variety of logistics information management programs to improve situational awareness and support decision making
- Developed and implemented innovative, effective, and economical methods to improve logistics readiness — 500 medium tactical trucks were withdrawn from prepositioned stocks; used depot maintenance to upgrade older medium tractors; rebuilt HMMWVs withdrawn from direct reporting maintenance organizations

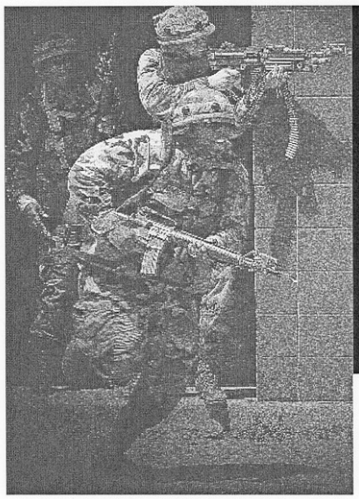
Fiscal Year 2005:

- All Army Reserve units in Operation Iraqi Freedom rotation in fiscal year 2005 mobilized at deployment criteria
- Developed Army Reserve equipping strategy to make most effective and efficient use of available equipment
- Delivered more than 3,000 M4s and 1,000 Squad Automatic Weapons Replacing M16A1 rifles and M60 machine guns
- Reduced Army Reserve logistics reconstitution backlog from a daily average of nearly 15,000 items in Fiscal Year 2004 to just over 7,500 in Fiscal Year 2005

NEW EQUIPMENT STRATEGY — HOW IT WORKS

The Army Reserve has developed a new strategy to make the most effective and efficient use of its equipment. The strategy includes maintaining equipment at four main areas: home station, strategic deployment sites, individual training sites and collective training sites. The new strategy supports the Army Force Generation and the Army Reserve Expeditionary Force (AREF) management systems. It ensures the best available equipment is provided to Army Reserve Soldiers where and when they need it, as they move through the pre-mobilization training phase of the AREF cycle to mobilization and deployment.

While individual equipment, such as weapons and masks, will continue to be maintained at unit home stations, only enough of a unit's major items — trucks, forklifts, etc. — to allow for effective training and to support homeland defense requirements will also be there. The system allows remaining major items to be positioned at various other key training and positioning sites.



THE NEW STRATEGY ENSURES THAT THE BEST AVAILABLE EQUIPMENT IS PROVIDED TO ARMY RESERVE SOLDIERS WHERE AND WHEN THEY NEED IT.

In the new model, units will be moved to the equipment located at the training sites, rather than moving equipment to the units. Creating centrally located equipment pools to support directed and focused training will enable the Army Reserve to harvest efficiencies in resourcing and maintaining its equipment.

Individual Training Sites
Some of the equipment will be consolidated in individual training sites. In a site established for individual training, Soldiers qualify on their individual skills — specified, job-related skills (e.g., nurses are tested in medication procedures; lawyers, in international law). This is the first phase of the training cycle, followed by training at unit home stations.

Collective Training Sites
Another pool of consolidated equipment will be kept at collective training sites. Following home station unit training, units progress to collective training. Successful participation in exercises at these sites validates units as ready to conduct their wartime mission.

Strategic Deployment Sites
Some of the major end items are consolidated at Strategic Deployment Sites (SDSs). After inspection and assembly into unit sets, major equipment items are placed in controlled humidity storage at the SDSs. After units are validated through individual and collective training cycles and called to deploy, equipment at these sites will be shipped directly to theater.

Progressing through individual training, home station training and then participating in larger exercise-driven collective training is the normal training cycle to prepare for a deployment. Pre-positioning equipment at these sites is a cost-efficient system of support.

COMPELLING NEEDS

Procurement of equipment to support modularity
- Night vision systems
- Chemical/biological/radiological detection/alarm systems
- Medical Equipment
- Light-medium trucks (75 percent do not support single-fleet policy, integral to training and operational efficiency)
- Medium tractors (50 percent do not support single-fleet policy, integral to training and operational efficiency)

Sustainment
- Sustainment of depot maintenance levels
- Recapitalization of tactical truck inventory
- Army Reserve tactical maintenance contract labor to reduce mobilization and training equipment backlogs

7

MANNING THE FORCE

THE SOLDIER HAS ALWAYS BEEN AND REMAINS THE CENTERPIECE OF THE ARMY. THE ARMY RESERVE IS COMMITTED TO MAKING THE BEST USE OF OUR MOST PRECIOUS RESOURCE AND IS INTENT THAT THOSE PROGRAMS THAT AFFECT SOLDIERS AND FAMILIES WILL BE OUR TOP PRIORITY. FIRST, SOLDIERS AND THEIR FAMILIES NEED TO KNOW WHAT TO EXPECT UP FRONT. THE EXPECTATION OF SERVICE IN THE RESERVE IS MUCH CHANGED FROM A DECADE AGO. ARMY RESERVE SOLDIERS AND INCOMING RECRUITS NEED TO KNOW THAT. TODAY'S ADVERTISING AND COMMUNICATIONS REFLECT THE REALITY OF THE CONTEMPORARY OPERATING ENVIRONMENT AND THE CULTURE THAT SURROUNDS THIS PROUD INSTITUTION. THE ARMY RESERVE WILL NOT LOWER ITS STANDARDS, BUT WILL INSTEAD USE A HOST OF INCENTIVES AND CHANGED POLICIES TO ACCESS THE BEST CANDIDATES FOR ARMY RESERVE SERVICE.

Additionally, the Army Reserve will strive to ensure that the best quality of care for our Soldiers and their families is provided while constantly working to improve the quality of life for Soldiers, civilians and their families. Future personnel plans will assure we can maintain both personnel strength and readiness. The Army Reserve leadership will manage personnel through accession and assignment, reassignment, training and retraining or reclassification. Additionally, leadership will manage relocation in adherence to the AREF and its integration into the ARFORGEN model.

ACCOMPLISHMENTS

Since 9-11:

- As of February, 2006, 147,000 Army Reserve Soldiers had mobilized in support of GWOT, some more than once
- Developed and refined several information technology/management systems streamlining accountability and business processes
- Reduced attrition from 24.7 percent in 2001 to 22.5 percent in fiscal year 2005
- Established an Army Reserve casualty affairs program and office to care for Soldiers and their grieving families

Fiscal Year 2005:

- Fully implemented the Trainees, Transients, Holdees and Students (TTHS) Account — a personnel accounting practice that enhances the readiness of Army Reserve units
- Initiated a family programs Web portal to provide information: www.arfp.org/cys
- Created and fully staffed 63 mobilization/deployment assistant positions in communities throughout the country
- Recognized Soldiers' sacrifices by presenting nearly 26,000 awards in the Welcome Home Warrior-Citizen Program
- Realigned and enhanced incentives and benefits for Army Reserve Soldiers and families
- Established an employer relations program that is building positive and enduring relationships with employers
- Revised several personnel policies under the Chief, Army Reserve, to better lead and manage Army Reserve assets

CULTURE CHANGE

A critical element to support profound change in the Army Reserve is the cultural shift now occurring. Continuous reinforcement of Army Values, the expectation of deployment, the ability to think innovatively and leader development are all part of that cultural shift. While past Army Reserve advertising messages focused on benefits, downplaying the effort required for service, "Honor is never off duty" is now our touchstone. The Soldiers Creed and the Warrior Ethos are the bedrock of our force.

ARMY RESERVE ACCESSIONS FISCAL YEAR 2005	
MISSION:	28,485
ACTUAL:	23,859
DELTA:	(4,626)
MISSION %:	83.8%

RECRUITING

While accessioning fell short by 16.2 percent of its goal in 2005, a variety of initiatives and improvements, such as those listed below, are underway to achieve our recruiting goals in 2006 to meet the needs of both personnel strength and readiness. Leaders can now access, assign or reassign, train, re-train or reclassify Soldiers into the Army Reserve more efficiently, responsively and effectively.

SELECTED RESERVE INCENTIVE PROGRAM

The Selected Reserve Incentive Program (SRIP) was crucial in 2005. It enhanced the recruiting of Soldiers in critical specialties to meet the Army Reserve readiness needs. Continued Congressional support listed below will be just as crucial in the upcoming years:

- Increased bonus incentives to Soldiers reenlisting and joining the Army Reserve
- Expanding eligibility years for Reenlistment Bonuses
- Officer Accession, Affiliation, and the Specialty Conversion bonuses added to the SRIP
- Lump sum payment options for reenlistment bonuses with tax-free payments to Soldiers in the combat zone.

OTHER INITIATIVES

- Increased Enlisted Affiliation Bonuses
- Addition of the "High Grad" Bonus, used to attract those candidates with at least 30 or more semester hours of college credit
- Establishment of the Active Guard and Reserve Selective Reenlistment Bonus

RETENTION

By taking care of Soldiers during the current pace of operations and war, retention goals in the Army Reserve were met. In fiscal year 2005, the Army Reserve achieved 101.5 percent of its annual reenlistment goal.

FULL TIME SUPPORT

The Army Reserve's highest priority continues to be dedicated support to our war-fighting Soldiers. The Global War on Terrorism continues to place a high demand on the Army Reserve's war fighting formations and their ability to mobilize in a highly trained state. Among the most important resources that we have in ensuring mobilization readiness of the 21st Century Army Reserve are our Full Time Support (FTS) personnel: Active Guard and Reserve Soldiers (AGR), Department of the Army civilians and our military technicians (MilTechs). Congress has historically recognized the paramount importance of adequate FTS levels for unit mobilization readiness.

The Army Reserve continues to maintain the maximum effective use of our FTS personnel to meet unit readiness requirements prior to arrival at the mobilization station.

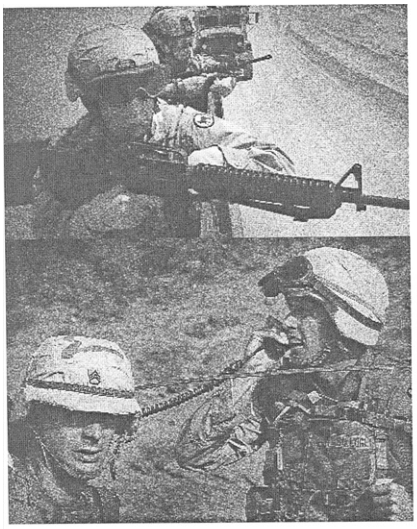
Historically, the Army Reserve has had the lowest FTS percentage of any DoD Reserve component.

- In fiscal year 2005, DoD average FTS manning level was 21 percent of end strength, while the fiscal year 2005 total for the Army Reserve was 11.3 percent.
- The projected increase for Army Reserve FTS in fiscal year 2006 takes the level only to 11.6 percent.
- Congress and the Army continue to support the goal of 12 percent FTS by fiscal year 2010 in order for the Army Reserve to meet minimum essential readiness levels as proposed by Headquarters, Department of the Army, in fiscal year 2000.

In fiscal year 2005, the Army Reserve was tasked with FTS mission requirements above and beyond programmed requirements, including:

- Replacing 78 Active component training advisers to the Reserve components who will be reassigned to support Active component missions.
- Providing U.S. Army Recruiting Command 734 additional recruiters for fiscal years 2005 and 2006.

These un-programmed requirements placed an additional demand on our already burdened FTS resources.



QUALITY OF LIFE AND WELL BEING OF SOLDIERS AND FAMILY MEMBERS

Quality of life issues continue to be high on the list of things that directly affect retention of Soldiers in the Army Reserve. The Secretary of the Army has stated:

"My top priority will be the well-being of Soldiers and their families. There is no more important aspect of our effort to win the Global War on Terrorism than taking care of our people."

The Army Reserve continues to improve its well-being efforts in the myriad of programs, policies and initiatives in its purview. Family programs remain a top priority.

Welcome Home Warrior Citizen Award Program

With congressional support, the Army Reserve was able to recognize nearly 26,000 Army Reserve Soldiers with the Army Reserve Welcome Home Warrior-Citizen Award in fiscal year 2005. The program ensures that returning Warrior-Citizens understand that their contributions to the mission and making our homeland more secure for all our citizens are recognized and appreciated by the Nation and the Army. The response to the program has been overwhelmingly positive in supporting efforts to retain Soldiers, thus increasing unit readiness. With continued congressional support, the Army Reserve will continue this program into the ongoing fiscal year and beyond.

Well-Being Advisory Council

This new and very dynamic structure supports all five Army Reserve constituent groups: Soldiers, families, civilians, retirees and veterans. The needs of each of these constituencies are growing; our programs continue to expand to meet these needs. The membership of the council will include a variety of individuals from the commands and organizations throughout the Army Reserve, including family member volunteers. The council will meet twice each year to consider and recommend disposition of well-being issues to the Chief, Army Reserve. The council is our integral link to the Army Family Action Plan.

Army Reserve Child and Youth Services Program

The Army Reserve now has a Child and Youth Services (CYS) Directorate staff to provide services that support the readiness and well being of families, including those families that are geographically dispersed. CYS programs and initiatives are designed to reduce the conflict between parental responsibilities and Soldier mission requirements. The Army Reserve CYS homepage is at www.arfp.org/cys.

Educational Benefits

The Army Reserve Voluntary Education Services Program is a priority of the Chief, Army Reserve. Continuance of these services is necessary as an essential incentive we provide the Soldiers of the Army Reserve. Army Reserve Voluntary Education Services is a DoD-mandated commanders program that promotes lifelong opportunities for Selected Reserve Soldiers through voluntary education services that enhance recruiting, retention and readiness of Army Reserve Soldiers.

The Army Reserve Voluntary Education Services have continuously provided an array of education programs since their inception. Recent changes have decentralized the execution of the tuition assistance program to allow for management decisions to be made closer to where the Soldiers live and work. This also allows for tighter fiscal controls and better coordination between Soldiers and colleges.

Other educational programs are listed below:

- Montgomery GI Bill
- Defense Activity for Non-Traditional Education Support Testing Program (DANTES)
- Student Guide to Success
- Credit for Military Experience
- Army/American Council on Education Registry Transcript System (AARTS)

- Troops to Teachers Program
- Spouse to Teachers Program

Support to Wounded Soldiers

The Army Reserve is dedicated to treating its Soldiers with the care and respect they have earned. Supporting Soldiers wounded in service to the country is one example of that commitment. The Disabled Soldier Support System was renamed the U.S. Army Wounded Warrior Program (Army W2) in November 2005. It continues to provide personal support, advocacy and follow-up for these heroes. The Army W2 facilitates assistance from initial casualty notification through the Soldier's assimilation into civilian communities' services (for up to five years after medical retirement). Assistance includes:

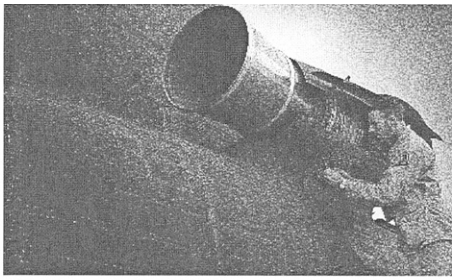
- Information about family travel to the Soldiers' bedsides
- Invitational travel orders for family members of seriously ill patients
- Pay issues
- Options for continuing on active duty
- Assistance with Medical Evaluation and Physical Evaluation Board processes

Soldiers with 30 percent or greater disability ratings and in a special category of injuries or illness — amputees, severe burns, head injuries or loss of eyesight — are assessed for enrollment in the program. Army W2 brings the wounded Soldiers and the organizations that stand ready to assist these Soldiers and families together. The Veterans' Administration and other similar veterans' service organizations participate in the program.

Some of these Soldiers may be in the process of medical retirements, pending other dispositions, such as being extended on active duty, or enrollment in the Community Based Healthcare Initiative, which allows selected reserve component Soldiers to return to their homes and receive medical care in their community.

Base Operations Support

The Army Reserve is committed to providing better quality of life services and critical support to Soldiers, their families and the civilian work force. The increase in base operations support for fiscal years 2006 and 2007 will greatly assist this effort, allowing for better engineering support, safety programs, law enforcement, and force protection, to name only a few areas.



More Efficient Management of Officer Promotions

Specific policy changes that were effected by the Chief, Army Reserve, improved our personnel management capability. By creating three separate reserve component competitive promotion categories, the Army Reserve can retain and better manage its officers. Another change enabled the Army Reserve to select officers based upon unique force structure requirements. That change will provide business efficiencies to better meet the manning requirements in all categories of the Selected Reserve, producing greater predictability and equity among all considered officers. The revised competitive categories meet the intent of Congress to match the number of officers selected for promotion by a mandatory promotion board to officers needed in the related categories.

Enhanced Care for Professional Development

Regional Personnel Service Centers (RPSCs), the Army Reserve military personnel management offices, will provide active personnel management for all Army Reserve Soldiers. Implementation of four RPSCs, in support of the Army Reserve Expeditionary Forces model, will provide standardized life-cycle management support to Army Reserve Soldiers regardless of where they may be in the command. This initiative relies on increased communication, interaction and involvement by commanders and their Soldiers to assure trained and ready Soldiers.

COMPELLING NEEDS

- Continued funding for enlistment, accession, affiliation, conversion, and retention incentives and bonuses to meet readiness requirements
- Attain minimum essential full time support level of 12 percent of end strength by fiscal year 2010
- Strengthened medical and health services for Army Reserve Soldiers
- Continued funding for Army Reserve Soldier educational services and opportunities (e.g., tuition assistance and scholarships)
- Continuance of the Army Reserve Welcome Home Warrior-Citizen Award Program

8

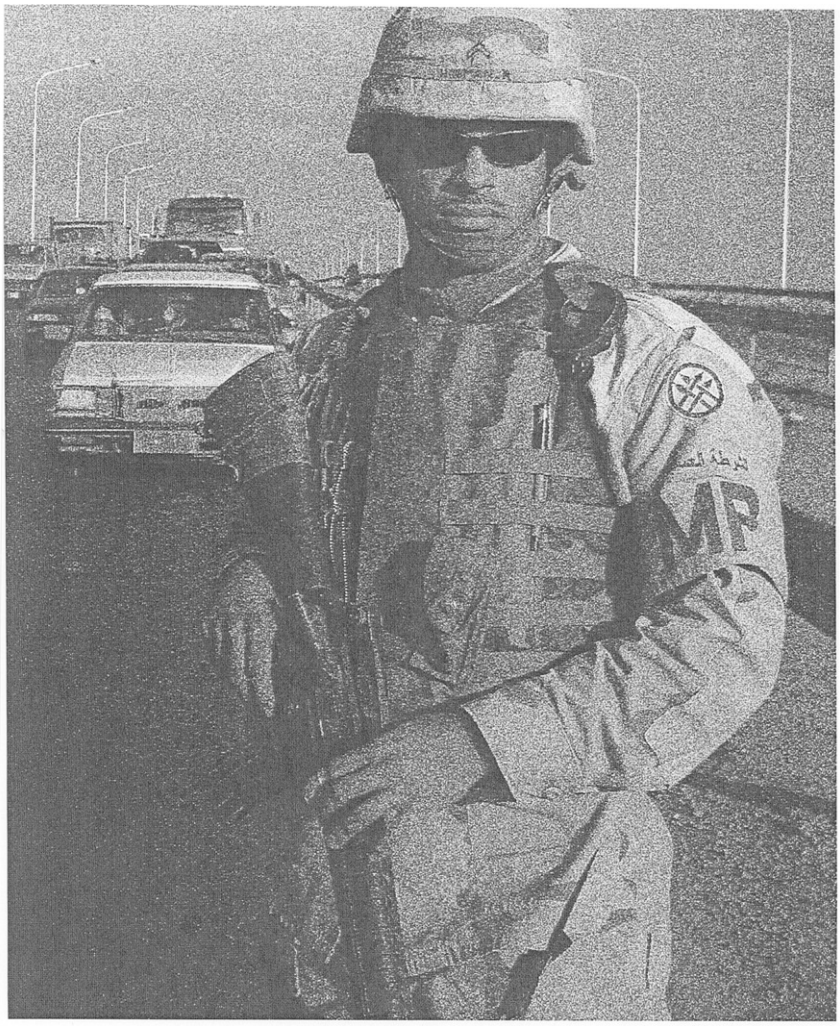
THE WAY AHEAD

THE CHANGED CONDITIONS OF WARFARE HAVE GREATLY AFFECTED OUR ARMED SERVICES, INCLUDING AND ESPECIALLY, THE RESERVE COMPONENTS. WE ARE NOW ENGAGED IN A GLOBAL WAR THAT WILL LAST A LONG TIME. WE ARE ON AN ASYMMETRICAL RATHER THAN A LINEAR BATTLEFIELD. WE ARE IN A PROTRACTED WAR, NOT ONE WITH A DEFINED BEGINNING AND END. THE CONSTANT THREAT OF ATTACKS ON OUR HOMELAND, INCLUDING THE USE OF WEAPONS OF MASS DESTRUCTION, PLACES A PREMIUM ON READINESS AND RESPONSIVENESS. BECAUSE OF THESE CHANGING CONDITIONS, THE ARMY RESERVE HAS IMPLEMENTED A HOST OF INITIATIVES THAT ARE CREATING DEEP, LASTING AND PROFOUND CHANGE.

Today, the deployment of our Army and Army Reserve, is no longer the exception, rather it is the rule. The Army Reserve is using the energy and urgency of Army transformation and the demands of the Global War on Terrorism to change. We are changing our organization in deep and profound ways, from a technically focused force-in-reserve to a learning organization that provides trained, ready "inactive duty" Citizen-Soldiers, poised and available for active service, now as ready as if they knew the hour and day they would be called.

TO THAT END, THE ARMY RESERVE WILL REQUIRE:

- CONTINUED FUNDING TO SUPPORT CHANGES IN PERSONNEL INCENTIVES
- ADEQUATE FUNDING TO SUPPORT ARMY RESERVE EXPEDITIONARY FORCE TRAINING, EQUIPPING AND MAINTENANCE STRATEGIES
- SUPPORT FOR LEGISLATIVE AND POLICY CHANGES TO SUPPORT RECRUITING EFFORTS, PERSONNEL MANAGEMENT AND MOBILIZATION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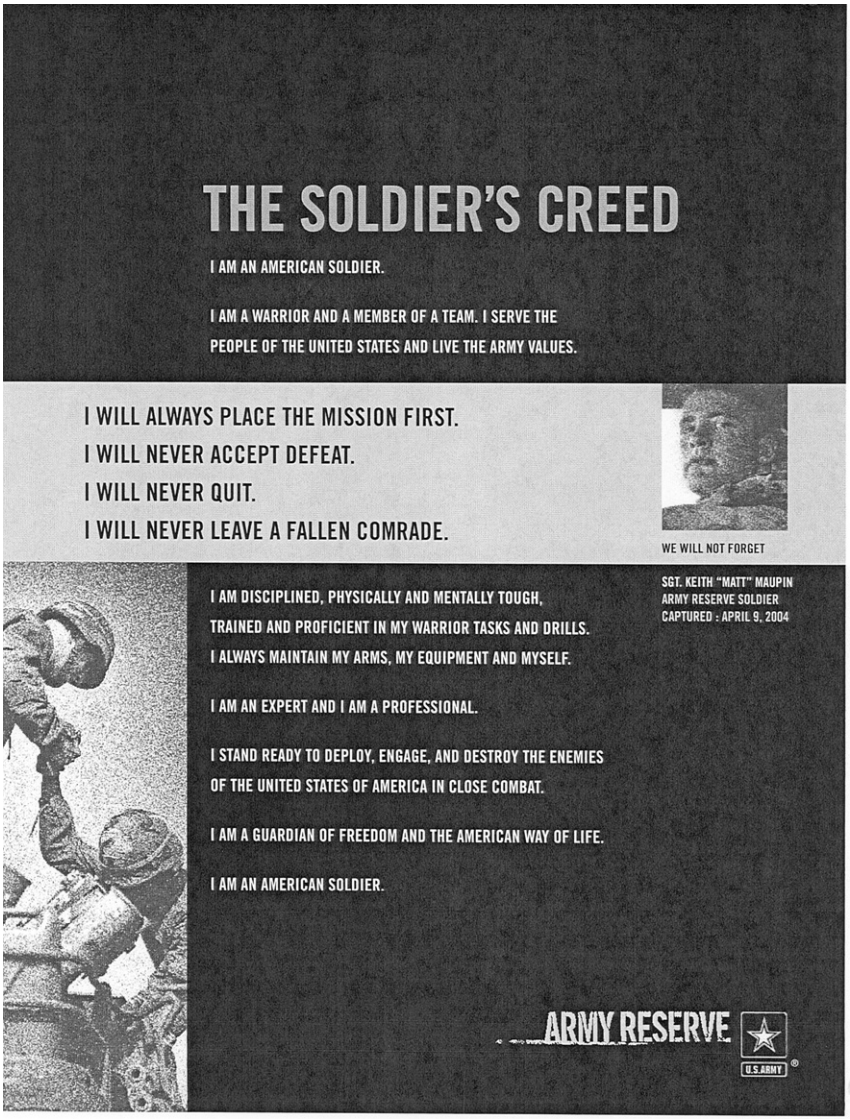

STATEMENT OF VADM JOHN G. COTTON, USNR, CHIEF, NAVY RESERVE

Admiral COTTON. Chairman Graham and Senator Nelson, and, in particular, the hardworking staffers on the back wall—and a couple of them are actually busy reservists; they also serve our Nation, and we're proud of them. I don't know which reservist to bring here today, but I will tell you that we have over 22,000 Navy reservists fully integrated with the Navy, our fleets, and our combatant commanders on duty right now around the world. They're on either 1-

day or 365-day orders. It doesn't matter. They're working for us somewhere deployed, fully integrated, and doing a great job.

While it's true that the Navy Reserve might be a little understrength right now, we are emphasizing quality and global war on terrorism skill sets rather than just quantity. Our end strength today is slightly above the requested end strength for 2007, so we do feel very comfortable, especially because we're working so closely with the United States Navy in Active/Reserve integration. We've never had such good working relationships, especially with the incentives, the sailor-for-life culture that we're borrowing from the Marines, and also a continuum of service. It's not about a race to get 20 years of perfect attendance. It could be 20 years of service over 40 years, with on-ramps and off-ramps to service. We're bringing good skill sets back into the war right now, as you say, which is a long war.

The Navy Reserve is adapting. At home, we quickly respond to disasters, to Northern Command requirements, as well as to Navy requirements. We deploy to support combatant commanders.

We look forward to your questions, sir.

[The prepared statement of Admiral Cotton follows:]

PREPARED STATEMENT BY VADM. JOHN G. COTTON, USN

I. INTRODUCTION

Chairman Graham, Senator Nelson, distinguished members of the subcommittee, thank you for the opportunity to speak today about the Navy and its Navy Reserve.

Our Navy Reserve continues its transformation to better support combat and combat service support missions throughout the world. Navy reservists are no longer solely a strategic force waiting for the call to mobilize in a war between nation-states. They are operational and forward, fighting the global war on terror as Seabees in Iraq, civil affairs sailors in Afghanistan, customs inspectors in Kuwait, logistical aircrew and Joint Task Force staff in the Horn of Africa, and as relief workers in disaster recovery operations in the United States and around the world.

Your support in this transformation from a strategic reserve to an operational reserve is greatly appreciated. Congress passed legislation in the 2006 National Defense Authorization Act (NDAA) that provided force-shaping tools allowing the Navy to best distribute sailors within the Total Force. You authorized the flexibility to transfer funds from Reserve Annual Training (AT) accounts to Reserve Active-Duty (AD) accounts. These changes enable our sailors to spend more time at their supported operational commands and more time fighting the war on terror.

Reserve component sailors are serving selflessly and are fully integrated throughout the Department of Defense (DOD), with our coalition partners and with every civil support agency. Our sailors and their families continue to earn our respect and gratitude for their service and their many sacrifices. As part of the All-Volunteer Force, they reserve again and again, freely giving of their skills and capabilities to enhance the Total Force team. On behalf of these brave men and women and their families, thank you for your continued support through legislation that improves benefits for their health and welfare.

Single Manpower Resource Sponsor

Navy is taking a Total Force approach to delivering the workforce of the 21st century. The Total Force consists of active and Reserve military, civil service, and contractors. The Total Force will deliver a more responsive workforce with new skills, improved integrated training and will be better prepared to meet the challenges of the Long War. As the Chief of Naval Personnel testified, the Navy is concentrating this effort in a single resource sponsor: the Manpower, Personnel, Training, and Education (MPT&E) enterprise. Our Navy Reserve is an integral part of the MPT&E and is working closely with the Chief of Naval Personnel to best leverage all Navy resources to produce the greatest warfighting capabilities possible.

Our "One Navy" goal is to be better aligned to determine the future force (capabilities, number, size, and mix) based on DOD and Department of Navy (DON) strategic guidance and operational needs. Specifically, the new MPT&E domain will deliver:

• A Workforce Responsive to The Joint Mission: Derived from the needs of Joint Warfighters.
• A Total Force: Providing a flexible mix of manpower options to meet warfighting needs while managing risk.
• Cost Effectiveness: Delivering the best Navy workforce value within fiscal constraints and realities.

Strategy for Our People

To accomplish the optimal distribution of trained sailors throughout the Total Force, the MPT&E is developing a "Strategy for Our People." This strategy will provide the guidance and tools to assess, train, distribute, and develop our manpower to become a mission-focused Total Force that meets the warfighting requirements of the Navy.

Each Navy reservist fills a crucial role in the Total Force, providing skill sets and capabilities gained in both military service and civilian life. For example, a sailor who learned to operate heavy equipment on Active-Duty, and who is currently employed as a foreman in the construction industry, brings both military and civilian skill sets to his unit or individual augmentee assignment.

Additionally, Reserve component sailors can perform the same mission while training at home as they do when deployed. For instance, harbor patrol sailors use the same core skill sets training in Portland, Boston, Charleston, and Jacksonville harbors as they use in Ash Shuaybah, Kuwait. Sailors also use these skill sets when acting as first responders within the United States. While Hurricane Katrina was still crossing Louisiana and Mississippi, Navy Reserve Seabees were driving their personal vehicles in the eye of the hurricane to provide search and rescue capabilities followed by their traditional "can do" reconstruction efforts. After a tornado hit Evansville, Indiana, at night, the local Navy Operational Support Center served as a communications and emergency triage headquarters, and sailors immediately responded with search and rescue teams, saving lives.

"Continuum of Service" and "Sailor for Life"

Our Active component and Reserve component sailors receive valuable experience and training throughout their careers, and our vision for the future is to create a "Continuum of Service" system that enables an easy transition between statuses. We are building a personnel system in which sailors can move between Active component and Reserve component based on the needs of the Service and availability of the member to support existing requirements. To make these transitions seamless, the Navy will develop smooth "on ramp" and "off ramp" opportunities. Sailors will serve on Active-Duty for a period of time, then train and work in the Reserve Force and, with minimal administrative effort, return to Active-Duty. The Navy will offer experienced sailors the ability to transition between statuses when convenient, while incentivizing rate changes and service assignments at the right time and place, all in a "Continuum of Service" throughout their careers. All reservists, Full Time Support (FTS), Selected Reserve (SELRES) and even our important Individual Ready Reserve members, will benefit from increased opportunities to serve and reserve.

II. CHANGING DEMAND SIGNALS—NEW AND NONTRADITIONAL MISSIONS

Navy sailors continue to support the global war on terror in Southwest Asia, around the world and at home. Over 5,000 Reserve component sailors are currently mobilized and serving in various capability areas such as Navy Coastal Warfare, Seabees, Intelligence, cargo airlift, cargo handlers, customs inspectors, civil affairs, port security, medical (including doctors, nurses, and hospital corpsmen), and on the staff of every combatant commander (COCOM).

Operational Support

Mobilization alone does not reflect the total contribution of the Navy's Reserve. On any given day, an additional 15,000 Reserve component sailors are providing support to the Fleet, serving in a variety of capabilities, from flight instructor duties to counter narcotics operations, from standing watch with the Chief of Naval Operations staff to relief support for Hurricane's Katrina, Rita, and Wilma. Sailors have provided over 15,000 man-years of support to the Fleet during the past year. This support is the equivalent of 18 Naval Construction Battalions or 2 Carrier Strike Groups.

To define the Total Force requirements and maximize operational support, Commander, Fleet Forces Command commenced a continuous Reserve Zero-Based Review process in 2004. Navy and joint mission requirements were prioritized, followed by a thorough analysis of Reserve component manpower available to meet

those requirements. The ZBR continues to facilitate Active Reserve Integration (ARI), placing Reserve component billets in various Active component units where the requirement for surge capabilities and operational support is predictable and periodic. This capabilities-based review also enabled the Fleet to develop mission requirements that were inclusive and dependent upon skill sets and capabilities resident within its aligned Reserve component.

The Navy supports 21 joint capability areas, built on the foundations of Sea Strike, Sea Shield, Sea Basing and FORCEnet, and the Navy Reserve component is fully integrated in all enterprises. Excellent examples of ARI are highlighted in Central Command, where 50 percent of the Navy individual augmentee requirement is being met by Reserve component sailors. Operational Health Support Unit Dallas deployed with 460 medical and dental specialists for 11 months, during which the unit maintained health clinics in Iraq and hospitals in Kuwait. These sailors relieved an Army unit, set up their medical capabilities in the Army Camp, and provided integrated joint health care to all Services.

Navy's newly established Navy Expeditionary Combat Command integrates the Reserve component expeditionary and combat service support capabilities into one Total Force command. The Naval Construction Force has 139 units comprised of Active component and Reserve component sailors, and Naval Coastal Warfare continues to rebalance Active and Reserve personnel to meet COCOM requirements.

Fleet Response Units (FRU) are directly integrated with Active component aviation units. FRU sailors maintain and operate the same equipment as Fleet personnel, supporting the Fleet Response Plan by providing experienced personnel who are qualified and ready to rapidly surge to deployed Fleet units. This ARI initiative reduces training costs by having all sailors maintain and operate the same equipment. No longer are the Active and Reserve components using different configurations for different missions.

Another ARI initiative is the Squadron Augmentation Unit, which provides experienced maintenance personnel and qualified flight instructors to Fleet Replacement Squadrons (FRS) and Training Commands. Experienced Reserve component technicians and aviators instruct both Active component and Reserve component sailors to maintain and fly current fleet aircraft at every FRS.

The Reserve Order Process

One constraint to these initiatives is the Reserve order processes. The current system has multiple types of Reserve orders: InActive-Duty for Training (IDT), InActive-Duty for Training-Travel (IDTT), Annual Training (AT), Active-Duty for Training (ADT), and Active-Duty for Special Work (ADSW).

In addition to multiple types of orders, the funding process for these various types of orders can be equally complex. Navy is currently evaluating process options that will streamline the system and make support to the fleet more seamless. In fact, efforts such as the August 2005 conversion of Navy Reserve Order Writing System to ADSW order writing have already improved the situation for sailors and the fleet by allowing the same order writing system to be used for both ADT/AT and ADSW. Additionally, the Navy Reserve is also addressing these issues by emphasizing and increasing ADSW usage, which is simply "work" funding for operational support to the Fleet, rather than the previous way of doing business with training orders for work. The baseline data call of required work was initiated in 2005 with an implementation goal of accurately funded ADSW accounting lines in fiscal year 2008. COCOMs continue to review operational support requirements and the appropriate level of funding for the global war on terror and surge operations. Emphasizing ADSW will be a significant evolution in the Navy's effort to integrate its Reserve Force capabilities by aligning funding sources and accurately resourcing the accounts responsible for Navy Reserve operational support.

III. SIZE AND SHAPE OF THE FORCE

The total number of Navy reservists, both SELRES and FTS, is requested to be 71,300 for fiscal year 2007. The ongoing ZBR and effective ARI continue to optimally integrate the capabilities of the Total Force, which optimizes the force mix of Active component and Reserve component sailors needed to support the Fleet while still providing effective surge operational support.

Common Active Component/Reserve Component Pay System

A common pay and personnel system that provides for a seamless transition from Active component to Reserve component is essential to the success of our "Continuum of Service" and "Sailor for Life" programs. Ideally, manpower transactions will someday be accomplished on a laptop with a mouse click, and data will be shared through a common data repository with all DOD enterprises. Navy fully sup-

ports the vision of an integrated set of processes and tools to manage all pay and personnel needs for the individual, and provide necessary levels of personnel visibility to support joint warfighter requirements. The processes and tools should provide the ability for a clean financial audit of personnel costs and support accurate, agile decisionmakings at all levels of the DOD through a common system and standardized data structure.

The Defense Integrated Manpower and Human Resource System (DIMHRS) is expected to be that system. A Deputy Secretary of Defense assessment is currently underway to determine the best course of action for the Department. The assessment will conclude in early summer.

IV. RECRUITING

Accessions

Navy Reserve accessions are drawn from multiple sources, but we are increasingly focused on the trained and experienced Navy veteran. Our leadership is constantly emphasizing a "Continuum of Service" and "Sailor for Life" themes that enable sailors to more easily transition between components. The entire Total Force chain of command is committed to changing the culture of service and REservice by continually educating Active component sailors about the benefits of continued service as members of any of the Reserve components.

National Call to Service

A relatively new accession source is the National Call to Service (NCS), with contracts that include both Active component and Reserve component service as part of a recruit's initial military obligation. Congress first authorized this program in the NDAA 2003. The NCS program is enjoying considerable success, and is helping to mitigate some of the prior-service shortages in ratings that are critical to the prosecution of the global war on terror. Under this program, a recruit enlists for an Active-Duty commitment of 15 months after training. At the end of the commitment, the individual can either extend on Active-Duty or commit to 2 years of drilling in the SELRES. Navy has been particularly aggressive in recruiting Masters at Arms and Hospital Corpsmen for this program, and the first recruits are completing their Active component service and will begin drilling in the Navy Reserve this year. Navy's success in attracting recruits for this program is steadily growing. We assessed 998 recruits in 13 ratings in fiscal year 2004, and 1,866 recruits in 23 ratings in fiscal year 2005. Navy has a goal of 2,340 NCS recruits in 45 different ratings this year, and will continue this successful program in fiscal year 2007.

Attrition

Attrition and recruiting are a crucial part of maintaining the Total Force. Fortunately, the global war on terror is not having an appreciable affect on attrition. Navy Reserve attrition is currently 27 percent and has remained at approximately the same level for the past 5 years.

Enlisted Recruiting

Fiscal Year 2006 Navy Reserve enlisted recruiting continues to be challenging, with 3,415 recruits attained out of a goal of 11,180 as of February 28, 2006. Although the Navy Recruiting Command has focused every Active and Reserve recruiter on the Reserve component mission, it only accessed 85 percent of the fiscal year 2005 Reserve component enlisted goal, recruiting 9,788 against a target of 11,491. Navy attributes the recruiting shortfalls to several causes, primarily the continued strong retention of Active component sailors. The global war on terror has caused an increase in the number of recruits needed by the Army and Marine Corps, with competitive bonuses offered by all services. Civilian unemployment rates remain low, and public opinion influencers, such as friends and family, are less likely to recommend military service as a career.

To address Navy Reserve recruiting challenges and to promote continued success in recruiting the active force, Navy is increasing the amount of enlistment bonuses for both prior service and non-prior service Reserve accessions. Congress raised that legislative cap to $20,000 for the non-prior service program and $15,000 for the prior service program. These programs will enhance the attractiveness of service in the Reserve for those currently in our targeted ratings.

Other measures being taken to address the Reserve recruiting shortfall include implementation of expanded authorities provided by Congress in the NDAA for Fiscal Year 2006. These include: authority to pay Reserve Affiliation Bonuses in lump sum, enhanced high-priority unit assignment pay, and increases in the amount of the Reserve Montgomery G.I. Bill. Navy is also applying force-shaping tools to attract non-rated Reserve sailors to undermanned ratings.

Officer Recruiting

Reserve officer recruiting continues to fall short, and the Navy has failed to meet its Reserve Officer Recruiting Goal since 2002. The primary market for Reserve component officers is Navy veterans and as in enlisted recruiting, high retention of Active component officers reduces the pool of available candidates. Reserve Medical Officer Programs are especially hard hit in today's environment, with multiple factors affecting recruiting:

- High competing civilian salaries
- Larger number of nontraditional students with a decreased propensity toward military service
- Long tours of duty overseas, 6–18 months, increase the risk of losing civilian practices while deployed

V. READINESS

In addition to having the right sailor assigned to the right billet, all sailors must be ready to answer the call to serve. They must be medically, physically, and administratively ready to deploy.

Medical Readiness

Navy Reserve is a leader in medical readiness. In 2002, the Navy Reserve developed the Medical Readiness Reporting System (MRRS) as a comprehensive tracking system for Individual Medical Readiness (IMR). MRRS, a web-based application with a central aggregating database, links with existing authoritative data systems to reduce data input requirements and improve data accuracy. MRRS gives headquarters staffs and leadership a real-time view of force medical readiness, and received the 2005 DON CIO Information Management/IT Excellence Award for Innovation. It is being adopted throughout the Department of the Navy to give commanders the Web-based tool they need to more effectively and efficiently measure and predict IMR.

Navy Reserve continues to be a DOD leader in percent of personnel who are fully medically ready (FMR). In October 2004, Navy Reserve reported 44 percent FMR personnel and, with an ongoing emphasis on MRRS utilization by all commands, showed a dramatic improvement in January 2006 to 73 percent FMR per DOD IMR standards.

Physical Readiness

Navy Reserve is actively participating in Total Force solutions to address physical readiness. The CNO's "Fitness Board of Advisors" is exploring methodologies for changing the culture of fitness in the Navy to ensure a ready, fighting force. The Secretary of the Navy's "Health and Productivity Management" group is addressing the impact of a fit force on work productivity. Many participants are members of both groups in order to facilitate the exchange of good ideas. Further, Navy Reserve is working with BUPERS to revise the Physical Readiness Information Management System to more accurately capture fitness testing data.

Administrative Readiness

Navy Reserve tracks administrative readiness with the "Type Commander Readiness Management System—Navy Reserve Readiness Module," which provides a scalable view of readiness for the entire Force. This Navy Reserve developed system has served as the prototype for the "Defense Readiness Reporting System," and links to many DOD systems. Navy Reserve leaders have utilized accurate data for all categories and elements since the first data call in 2003, and can quickly determine readiness information for individuals, units, activities, regions, and any other desired capability breakouts.

VI. TRANSFORMATION

Navy Reserve continues to lead DOD Reserve component transformation. Through the Base Realignment and Closure process, Navy Reserve Centers are consolidating into larger, more centralized Navy Operational Support Centers on military bases, while maintaining presence in all 50 States and reducing excess capacity by 99 percent. Consolidation of smaller facilities provides a better return on investment of precious RPN and OM&NR funding, with better utilization of administration and staff support for SELRES, while aligning with Navy regional commanders instead of separate Reserve component Regions. Whenever possible, our Reserve component sailors have indicated a strong desire to "flex drill" at their Active component supported commands, which achieves a greater level of readiness and operational support, as well as Total Force integration.

VII. SUMMARY

Navy Reserve is evolving from a dispersed strategic force of the Cold War to an adaptive and responsive operational force that will be required to meet the surge requirements for future asymmetric threats. Change of this magnitude is not easy and challenges both Active component and Reserve component leadership to rapidly become more integrated while thoroughly communicating the vision to the Total Force. We greatly appreciate the full support of Congress as we implement initiatives that will better align Active component and Reserve component personnel and equipment, providing additional resources to recapitalize the Navy of the future.

Our dedicated Reserve component sailors continue to volunteer to serve and reserve, and we are developing a "Continuum of Service" program to ensure that they can quickly support operational missions, with easy transitions on and off Active-Duty. We are simplifying the order writing and funding processes, while allowing the customers, the Fleet and COCOMs, to control the resources through their Operational Support Officers. These initiatives will greatly reduce the administrative burden on both the ready sailor and the chain of command, ensuring the right sailor is in the right place at the right time with the right skill sets. Navy will continue to improve readiness tracking and reporting systems so that the sailor will be ready to deploy when called, physically, medically, and administratively.

The future success of our Navy and the Nation requires dominance of the maritime domain, and will be dependent upon a Reserve Force that is ready, relevant, and fully integrated. Our Navy Reserve is busy transforming its processes, becoming more integrated with both Navy and joint forces, and is more ready than ever for any tasking. We are providing global operational support, and our Reserve component sailors have and will continue to answer the call to "be ready" to support the combatant commanders and prevail in the Long War.

STATEMENT OF LT. GEN. JOHN W. BERGMAN, USMCR, COMMANDER, MARINE FORCES RESERVE

General BERGMAN. Good afternoon, Mr. Chairman and Senator Nelson.

It's an honor to be here today. This is my first time before this committee.

Having taken command June 10, we almost got a few boxes unpacked before we evacuated out of New Orleans for Hurricane Dennis. Then we came back and unpacked a few more boxes before evacuating for Hurricane Katrina.

Having said that, even though you evacuate, that doesn't mean Marine Forces Reserve and Marine Forces North stop doing business. Within about 5 or 6 days, we were operational, but displaced, between places such as Fort Worth, Kansas City, and Atlanta. By Thanksgiving, we were fully operational back in New Orleans, thanks to the great support of a lot of folks, but especially our brothers and sisters of the Navy, who really did spectacular work to get our facilities ready for us. We were fortunate in our particular geographical area. We were right next to devastation, but not necessarily affected by it, from a business standpoint, although several of our members, quite honestly, lost everything. Today we are down to two families who are in temporary motel lodging at this point, who have not secured future lodging.

Marine Corps Reserve is 39,600, stable and strong. Ninety-seven percent of our units have been activated at least once since September 11. Seventy percent of our current members have been activated, and 30 percent are first-timers—their turn will come soon. There are thousands on second deployment. Retention is up. Recruiting is challenging, but it's on track. We probably spend about 12 hours with a young future potential marine and their

influencers, as opposed to, historically, probably 4 to 5 hours in the past.

I look forward to your questions, sir. Thank you.

[The prepared statement of General Bergman follows:]

PREPARED STATEMENT BY LT. GEN. JACK W. BERGMAN, USMC

INTRODUCTION

Chairman Graham, Senator Nelson, and distinguished members of the subcommittee, it is my honor to report to you on the state of your Marine Corps Reserve as a partner in the Navy-Marine Corps team. Your Marine Corps Reserve remains firmly committed to warfighting excellence. The support of Congress and the American people has been indispensable to our success in the global war on terror. 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 committee for your continued support.

YOUR MARINE CORPS RESERVE TODAY

The last 5 years have demonstrated the Marine Corps Reserve is truly a full partner in the Total Force Marine Corps. I assumed the responsibility as the Commander of Marine Forces Reserve (MARFORRES) on June 10, 2005, and I can assure you the Marine Corps Reserve remains totally committed to continuing the rapid and efficient activation of combat-ready ground, air, and logistics units and individuals to augment and reinforce the Active component in the global war on terror. 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 United States, supporting all aspects of the global war on terror. At home, our Reserve marines are pre-positioned throughout the country, ready to defend the homeland or assist with civil-military missions such as the type of disaster relief conducted recently in the wake of hurricanes Katrina and Rita.

Reserve marines understand the price of protecting our constitutional rights to freedom, and even though many have paid the ultimate price in Operations Enduring Freedom and Iraqi Freedom, they continue to step forward and volunteer to serve their fellow Americans. The Marine Reserve Force remains strong and constant due to the committed marines in our ranks, our high retention and recruiting rates, and the ever-increasing benefits that Reserve marines and their families enjoy.

As the tactics and warfighting equipment continue to change and evolve, an ever-increasing level of readiness for future challenges needs to be maintained. Reserve ground combat units, aviation squadrons and combat service support elements are able to seamlessly integrate with their active component comrades in any Marine Air Ground Task Force (MAGTF) environment because they attend the same schools and are held to identical training standards. A strong inspector-instructor system and a demanding Mobilization and Operational Readiness Deployment Test program ensures Marine Corps Reserve units achieve a high level of pre-mobilization readiness. Marine Reserve units continue to train to challenging, improved readiness standards, reducing the need for post-mobilization certification. This ensures that these combat capable units undergo a seamless transition to the gaining force commander.

As we progress into the 21st century, we have seen historic and tragic events that have impacted our country and MARFORRES in ways that will reverberate for years to come. When hurricanes Katrina and Rita battered the Gulf Coast, MARFORRES was part of both the evacuation and the relief efforts in the area. Due to the storms, MARFORRES Headquarters, along with our subordinate headquarters, were forced to evacuate the New Orleans area and set up temporary commands in Texas and Georgia. It was from these locations that we mobilized and deployed units to the affected areas to support the relief efforts. In some cases marines were serving in their own communities that were devastated by the storms.

As of early February 2006, over 6,400 Reserve marines were activated in support of Operation Enduring Freedom, Operation Iraqi Freedom, and Horn of Africa operations. Of these marines, approximately 5,400 were serving in combat-proven ground, aviation, and service support units led by Reserve marine officers and noncommissioned officers. The remaining 1,000+ Reserve marines were serving as indi-

vidual augments in support of combatant commanders, the joint staff, and the Marine Corps. Since 11 September 2001, the Marine Corps has activated over 39,000 Reserve marines, and more than 97 percent of all MARFORRES units.

Since the beginning of the global war on terror, it has become necessary for the Marine Corps Reserve to increase support required for operations against the backdrop of a rapidly changing world environment accented by asymmetrical warfare and continuing hostilities. As new warfighting requirements have emerged, we have adapted our units by creating Anti-Terrorism Battalions from existing infantry units, as well as provisional civil affairs groups (CAGs) in support of our efforts in Iraq. We continue to refine our Reserve capabilities. Through assessment, projection, and careful planning, we shift valuable resources to enhance our ability to provide required war fighting capabilities, intelligence gathering capabilities, homeland security efforts, and ongoing civil affairs missions.

RETURN ON INVESTMENT

The Marine Corps is committed to the Total Force Concept as evidenced by the overwhelming success of Marine Reserve units serving in support of the global war on terror. Activated Marine Reserve units and individuals are seamlessly integrating into forward deployed Marine Expeditionary Forces and regularly demonstrate their combat effectiveness. Since March 2005, approximately 8,500 Reserve marines have deployed in support of two troop rotations to Iraq. The combat effectiveness of all Reserve marines deployed in support of Operation Iraqi Freedom is best illustrated by the following examples of a few Reserve units:

Force Units

MARFORRES has provided Provisional Civil Affairs Units, Air and Naval Gunfire Liaison Company (ANGLICO) Detachments and Counterintelligence Teams in support of Operation Iraqi Freedom.

The Marine Corps has two civil affairs units and, in 2005, formed two provisional CAGs. The decision was made to expand the Corps' civil affairs capability for the Iraqi conflict by creating a provisional 5th and 6th CAGs of nearly 200 marines each. The 5th and 6th CAGs were created to ease the deployment cycles of the 3rd and 4th CAGs and to create additional civil affairs assets. Fourth Combat Engineer Battalion from Baltimore provided the nucleus for the 5th CAG, which was established in late 2004. The unit was rounded out by marines from across the country, to include two previously retired marines.

The 5th CAG began its tour of duty in Iraq when the commanding officer and sergeant major unfurled the unit's colors at a transfer of authority ceremony with the 4th CAG at Camp Fallujah on March 10, 2005. Col. Steve McKinley, 5th CAG commanding officer, and Sgt. Maj. John A. Ellis stood at attention as the 4th CAG commander and sergeant major cased their unit's colors. Lt. Gen. John F. Sattler, I Marine Expeditionary Force Commanding General, thanked the CAG marines and sailors for their accomplishments during their tour, such as helping to establish the Civil Military Operations Center in Fallujah. The 5th CAG assumed 4th CAG's area of responsibility and operated throughout Al-Anbar Province coordinating civil affairs projects with the goal of restoring critical infrastructure and facilitating the transition into a self-governing people. The 6th CAG, led by Col. Paul Brier and Sgt. Maj. Ronnie McClung, relieved 5th CAG in September 2005. After a successful 7-month tour, they are redeploying to the United States this month..

In addition to the contribution of CAGs, MARFORRES has provided detachments from both 3d and 4th ANGLICO-based in Long Beach, CA, and West Palm Beach, FL, respectively—in support of Operation Iraqi Freedom. The last detachment returned mid-December 2005. During its tour, the unit supported the multinational division headed by the Polish Army and consisting of troops from 14 countries. The unit was involved in various missions in the three provinces south of Baghdad. Duties ranged from radioing in fire support for the coalition partners to providing protection for convoys. The marines were credited with rounding up 390 insurgents and criminals in addition to recovering 50,000 pounds of ordnance.

Fourth Marine Division

The 3rd Battalion, 25th Marines, led by Lt. Col. Lionel B. Urquhart, USMCR, a manager for Roadway Transportation Services—and his senior enlisted advisor Sgt. Maj. Edward C. Wagner, USMCR, supported Regimental Combat Team 2 during Operation Iraqi Freedom 04–06.1. During this time, the battalion cleared the city of Hit, establishing two permanent firm-bases there and introduced Iraqi Armed Forces in the city to begin the process of independent Iraqi control. Hit was the only city to be liberated from anti-Iraqi forces control by the 2d Marine Division. In all, the battalion acted as the regimental main effort in 15 named combat operations

and provided support to 5 more named operations in an area covering 4,200 square kilometers. The scheme of maneuver entering the town of Kubaysah employed the first heliborne and mechanized combined assault in Area of Operations "Denver". The battalion's efforts resulted in 46 detainees being convicted to confinement at Abu Grahb Prison, 160 confirmed enemy killed-in-action, and 25 confirmed enemy wounded-in-action. This battalion—which coalesced from reservists spread across more than seven States—acted as a center of gravity for RCT–2 during Operation Iraqi Freedom 04–06.1 enabling the regiment to achieve it's greatest successes.

Fifth Battalion, 14th Marines (-) Reinforced, commanded by John C. Hemmerling, USMCR, an attorney for the City of San Diego, with Sergeant Major Jose Freire, a U.S. Postal Carrier, as his senior enlisted advisor, was assigned the mission as a provisional military police battalion in the Al Anbar Province of Iraq. The Marines of 5/14 exemplified the total force concept as it transitioned from a Reserve artillery battalion into a composite battalion. The battalion was comprised of 15 Active and Reserve units and detachments and integrated Active and Reserve marines down to the fire team level that totaled more than 1,000 strong. Furthermore, drawing from its ranks of reservists in civilian law enforcement and Active-Duty military policemen at its core, the battalion was task organized to conduct military police missions of convoy security operations; law and order on the forward operating bases; operate five regional detention facilities; force protection of Camp Fallujah; conduct criminal investigations; recruit Iraqi security forces through the Police Partnership Program; and control 57 military working dog teams. The battalion is credited with processing over 6,000 detainees, without incident, consisting of suspected insurgents, terrorists and criminals; safely escorted over 300 convoys throughout the Multinational Force West area of operations; occupied and defended Camp Fallujah and approximately 100 square kilometers of battle space surrounding it; and recruited over 1,000 Iraqi Police candidates.

Fourth Marine Logistics Group

4th Marine Logistics Group (MLG) continued to provide the Active-Duty component and combatant commanders tactical logistics support throughout the six functional areas of Combat Service Support and the personnel necessary to sustain all elements of the operating force in multiple theaters and at various levels of war.

4th MLG has a well-established reputation for providing professional, dedicated and highly skilled marines and sailors to augment and reinforce the active components in support of Operations Iraqi Freedom (OIF) and Enduring Freedom (OEF). During the past year's semi-annual relief of forces, 4th MLG deployed approximately 1,000 Reserve marines and sailors to conduct tactical level logistics missions.

Additionally, 4th MLG provided the following support to the operating forces when requested by combatant commanders:

- During January of 2005, 4th MLG deployed approximately 130 marines and sailors to support Marine Forces Central Command's Logistics Command Element located aboard Camp Lemonier, Djibouti. These marines and sailors from various 4th MLG battalions provided vital logistical and operational support to a mission focused on detecting, disrupting, and ultimately defeating transnational terrorist groups operating in the Horn of Africa region.
- In April 2005, on short notice, 4th MLG deployed 13 maintenance personnel in support of Marine Corps Systems Command (MARCORSYSCOM) to a forward operating base in Iraq to assist with the installation of armor kits on tactical vehicles. Their mission proved invaluable in mitigating the personnel and equipment loss attributed to an emergent IED threat.
- During May 2005, 4th MLG provided health services support consisting of 20 sailors from 4th Medical Battalion to II Marine Expeditionary Force (II MEF) for detainee operations in Iraq that included medical services for personnel in temporary detainee facilities; maintenance of medical supplies and equipment; health and sanitation inspections, pre- and post-interrogation health assessments; and coordination of medical evacuations in accordance with the Geneva Convention.
- June 2005 saw 4th MLG provide the nucleus staff for the provisional 6th CAG.

Regardless of the mission, the Reserve marines and sailors of 4th MLG have proven to be both responsive and flexible. Their level of professionalism and training enabled them to easily integrate with their Active-Duty counterparts. Their contributions and sacrifices in the global war on terror are a testament of their value to our great Nation.

Fourth Marine Aircraft Wing

4th Marine Aircraft Wing (MAW) units participated in a wide variety of operations in locations across the country and around the world in support of the global war on terror.

Operation Iraqi Freedom activations consisted of units in their entirety, detachments, as well as individual augments providing invaluable support to the Active component in the conduct of these operations. Marine Fighter/Attack Squadron 142 deployed 12 F/A–18 A+ Hornet aircraft in support of OIF, where they accomplished 100 percent of their tasking sortie requirements. These assets were the first 4th MAW F/A–18s to deploy in support of OIF and the first Marine F/A–18s to deploy the Advanced Targeting Pod (LITENING) in a combat environment. Marine Medium Helicopter squadrons 764 and 774 deployed to Iraq in support of OIF for their second tour. The deployment of these units required the transfer of 19 aircraft from east to west coast to facilitate training of the unit that was continental United States (CONUS) based while the other deployed. This monumental task was accomplished safely and efficiently. Marine Light Attack Squadron (HMLA) 775 returned from Iraq and immediately went to work accepting 16 AH–1N and 9 UH–1N aircraft from 3rd MAW. Immediately upon acceptance, they transferred 6 of the AH–1Ws and 4 of the UH–1Ns to HMLA–775 Detachment A, which then repositioned all aircraft to Johnstown, PA. Additionally, Heavy Marine Helicopter (HMH) Squadron 772 was chosen to conduct the initial NVG flight training evolution designed for Navy MH–53E aircrew, allowing them to deploy in support of Operation Iraqi Freedom. This marked the first time Navy CH–53 pilots were trained on NVGs in a desert environment. Marine Air Control Group (MACG) 48 provided numerous detachments, including Air Traffic Controllers, to support the OIF. Marine Wing Support Group (MWSG) 47 provided continual ground refueling support to OEF. They continue to provide detachments of engineers, refuelers, and firefighters to OIF.

Hurricane Katrina made landfall on 29 August 2005 east of New Orleans. As a result of the ensuing devastation to the gulf coast region, HMH–772 was the first marine squadron to participate in the rescue efforts in New Orleans on August 31, 2005. The unit deployed four aircraft, which transported 348,000 pounds of cargo, 1,053 passengers, and 720 evacuees. Marine Aerial Refueler Transport Squadrons (VMGR) 234 and 452 and their KC–130 aircraft provided direct support to Special Purpose Marine Air/Ground Task Force Katrina in the form of troop, cargo lift, and humanitarian assistance to the gulf coast region. 1,562 passengers and 1.5 million pounds of cargo were transported during 263 sorties totaling 535 hours. They also performed the same mission during the aftermath of Hurricanes Rita and Wilma. In addition to HMH–772, HMLA–773 provided direct support to SMAGTF Katrina in the form of civilian evacuation and humanitarian relief, operating out of Eglin AFB and JRB Belle Chasse. MACG–48 and MWSG–47 brought their own specialized assistance in the form of aircraft controllers and logistical support. 4th MAW continued to support Katrina relief efforts until October 2005.

ACTIVATION PHILOSOPHY

Sustaining the force has been consistent with Total Force Marine Corps planning guidance. This guidance continues to be based on a 12-month involuntary activation with a 7-month deployment, followed by a period of dwell time and, if required and approved, a second 12-month involuntary reactivation and subsequent 7-month deployment. This force management practice has provided warfighting and sustainment capability within MARFORRES with well-balanced and cohesive units ready for combat. This activation philosophy has proved to be an efficient and effective use of our Reserve marines' 24-month cumulative activation time limit.

ACTIVATION IMPACT

As of December 2005, the Marine Corps Reserve began activating approximately 2,200 Selected Marine Corps Reserve (SMCR) unit marines in support of the next Operation Iraqi Freedom rotation and 290 SMCR unit marines in support of Operation Enduring Freedom. 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 careers. In total, approximately 4,790 Reserve marines have been activated more than once; about 1,875 of whom are currently activated. We also know that, as of February 2006, approximately 65 percent of the current unit population and 72 percent of the current IMA population have been activated at least once. About 1.5 percent of our current IRR population has deployed in support of OIF/OEF. If you include the number of marines who deployed in an Active or SMCR component and have since transferred to the IRR, the number

reaches 61 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, such as artillery, have been cross-trained to reinforce identified critical specialties such as civil affairs and linguists.

Although supporting the global war on terror 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 Program allows the Marine Corps to fill these short-term, full-time requirements with Reserve marines. For example, as of this month we have almost 4,600 marines on Active-Duty under this program. 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 enlisted force. 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 2005, but the long-term impact of recent activations is not yet known. 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 2005, the Marine Corps' Selected Reserve was over 39,600 strong. Part of this population is comprised of Active Reserve marines, Individual Mobilization Augmentees, and Reserve marines in the training pipeline. Additionally, nearly 60,000 marines serve as part of the Individual Ready Reserve, representing a significant pool of trained and experienced prior service manpower. 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. 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 investment tools that will sustain the Force in the years ahead.

Support to the global war on terror has reached the point where 70 percent of the current Marine Corps Reserve officer leadership has deployed at least once. Nevertheless, the Marine Corps Reserve is currently achieving higher retention rates than the benchmark average from the last three fiscal years. As of January, the OSD attrition statistics for Marine Corps Selected Reserve officers is 8.4 percent compared to the current benchmark average of 11.7 percent. For the same time period, Reserve unit enlisted attrition is 6.2 percent compared to 8.5 percent average.

In fiscal year 2005, the Marine Corps Reserve achieved 100 percent of its recruiting goal for non-prior service recruiting (5,921) and exceeded its goal for prior service recruiting (3,132). For our Reserve component, junior officer recruiting remains the most challenging area. We are expanding Reserve commissioning opportunities for our prior-enlisted marines in order to grow some of our own officers from MARFORRES units and are exploring other methods to increase the participation of company grade officers in the Selective Marine Corps Reserve. We are also developing some bold new changes in our junior officer accession programs and expect to incorporate some of the changes during fiscal year 2007 and plan to fill 90 percent of our company grade officer billets by fiscal year 2011. We thank Congress for the continued support of legislation to allow bonuses for officers in the Selective Marine Corps Reserve 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 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, you heard testimony from my predecessor that there were no laws offering academic and financial protections for Reserve military members who are college students. I am 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 Congress's efforts in protecting a military member's college education investments and status when called to duty.

More than 1,300 MARFORRES marines and sailors chose to use Tuition Assistance in fiscal year 2005 in order to help finance their education. This Tuition Assistance came to more than $3 million in fiscal year 2005 for more than 4,200 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 G.I. Bill benefits for Reserve and National Guard service members, 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. The National Defense Authorization Act for Fiscal Year 2005 included a new education assistance program for certain Reserve and National Guard servicemembers. I heartily thank you for this initiative and its implementation by the Department of Veterans Affairs, as it has positively impacted the quality of life for Marine reservists and other servicemembers.

CHILDCARE 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 "Operation Military Childcare," a joint initiative funded by the Department of Defense and operated through cooperative agreements with the Boys and Girls Clubs of America, and the National Association of Childcare 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 MARFORRES 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-Deployment, Deployment, Post-Deployment, and Follow-On) by providing educational opportunities at unit Family Days, Pre-Deployment Briefs, Return and Reunions, 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.

Military 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, 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 O&M accounts.

MANAGED HEALTH NETWORK

Managed Health Network, through a contract with the Department of Defense, is providing specialized mental health support services to military personnel and their families. This unique program is designed to bring counselors onsite at Reserve Training Centers to support all phases of the deployment cycle. MARFORRES is incorporating this resource into Family Days, Pre-Deployment Briefs and Return & Reunion Briefs and further incorporating them in the unfortunate event of significant casualty situations. Follow-up services are further scheduled after marines return from combat at various intervals to facilitate onsite 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. Since April 2005, TRICARE Reserve Select has been providing eligible Guard and Reserve veterans 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. Participation in the program has greatly benefited those Reserve marines who have served and who continue to serve. This provides optional coverage for Selected Reserves after an activation, at the rate of 1 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 1 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 the 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 healthcare benefits to family members and extend benefits up to 90 days prior to their activation date and up to 180 days after deactivation.

Reserve members are also eligible for dental care under the Tri-Service Dental Plan for a moderate 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. These initiatives will further improve the healthcare 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. Currently, MARFORRES conducts approximately 93 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 that we treat with more importance. However, the duties of our casualty assistance officers go well beyond notification. We ensure they are adequately trained, equipped, and supported by all levels of command. Once an officer or staff noncommissioned officer is designated as a casualty assistance officer, 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. This support remains in place as long after the funeral and is maintained regardless of personnel turnover. The Marine Corps Reserve also provides support for military funerals for veterans of all Services. The marines at our Reserve sites performed more than 7,500 funerals in calendar year 2005.

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 Marine For Life program is available to provide support for the approximately 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 Marine For Life 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, and more than 30,000 marines have been assisted since January 2004. Assistance from career retention specialists and transitional recruiters helps transitioning marines 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 the 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. To that end we enthusiastically support the efforts of the National Committee of the Employer Support of the Guard and Reserve (ESGR) and have joined with them in Operation Pinnacle Advance, which seeks to further develop personal relationships with our marines' employers.

EQUIPMENT

Our readiness priorities continue to be the support and sustainment of our forward deployed forces and, second, ensuring units slated to deploy in follow-on rotations possess adequate levels of equipment for training. Currently, the Marine Corps has approximately 30 percent of its ground equipment and 25 percent of its aviation 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, MARFORRES, MARCORSYSCOM procurements, the Maritime Prepositioned Force as well as equipment from Marine Corps Logistics Command stores and war Reserves. Our contributed major items of equipment (principally communications equipment, crew-served weapons, optics and a Reserve infantry battalion's equipment set) remain in theater in support of rotating Marine forces, which fall in on these assets in-theater.

Maintaining current readiness levels will require continued support as our equipment continues to age at a pace exceeding peace time replacement rates. The global war on terror 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 weight of added armor and unavoidable delays of scheduled maintenance due to combat, is degrading the Corps' equipment at an accelerated rate. If this equipment returns to CONUS, extensive service life extension and overhaul/rebuild programs will be required in order to bring this equipment back into satisfactory condition prior to re-issue to an operating force.

As we continue to aggressively train and prepare our CONUS-based marines for possible future deployments, we have maintained ground equipment readiness rates exceeding 90 percent. The types of equipment held by Reserve Training Centers are the same as those held within the Active component. However, as a result of the aforementioned movement of equipment into theater as well as the Marine Corps' efforts to cross-level equipment inventories to support home station shortfalls (both Active and Reserve), MARFORRES will experience some equipment shortfalls of communication and electronic equipment. This specific equipment type shortfall will be approximately 10 percent across the Force in most areas, and somewhat greater for certain low density "big-box" type equipment sets. However, communications equipment procured by Headquarters, U.S. Marine Corps (HQMC) (fiscal year 2005 supplemental funding) and National Guard and Reserve Equipment Appropriations (NGREA) (fiscal year 2005) are currently being fielded and mitigate many communications equipment shortfalls. Although the equipment shortfalls will not preclude sustainment training within the Force, this equipment availability is not optimal.

STRATEGIC GROUND EQUIPMENT WORKING GROUP

Due to global war on terrorism demands on the entire Marine Corps equipment inventory, HQMC established a Strategic Ground Equipment Working Group (SGEWG) with the mission 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 MARFORRES, leading to an increase in overall supply readiness of approximately 5 percent in most equipment categories. 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 here at 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 member of MARFORRES deployed over the past year in support of the global war on terror, along with those currently deployed into harm's way, were fully equipped with the most current Individual Combat Clothing and Equipment and Individual Protective Equipment. Your continued support of current budget initiatives will ensure we are able to properly equip our most precious assets—our individual marines.

CRITICAL ASSET RAPID DISTRIBUTION FACILITY

In order to ensure equipment is available to our deploying forces, we created the MARFORRES 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 MARFORRES. Equipment such as the Small Arms Protective Insert, Improved Load Bearing Equipment, Lightweight Helmet and Improved First Aid Kit has been sent to the CARDF for secondary distribution to deploying units. This system worked extremely well, and we plan to continue its use for the foreseeable future. Furthermore, as tactical clothing and equipment requirements continue to emerge, we have expanded the CARDF's inventory to stock additional OIF-related individual issue equipment items such as WILEY–X Ballistic goggles, Ballistic hearing protection, and balaclavas to better equip our deploying forces.

TRAINING ALLOWANCE

The total wartime equipment requirement for MARFORRES is called the Table of Equipment (T/E). For MARFORRES, the T/E consists of two parts: a Training Allowance (T/A) and In-Stores assets. The T/A is the equipment MARFORRES units maintain at their training sites. MARFORRES units have established T/As that is on average approximately 80 percent of the established T/E. 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. The establishment of training allowances allows MARFORRES to better cross-level equipment to support CONUS training requirements of all units of the Force with a minimal overall equipment requirement. The amount of T/A each unit has is determined by training requirements, space limitations, and staffing levels at the unit training sites. Of course, this concept requires the support of the Service to ensure that the "delta" between a unit's T/A and T/E is available in the event of mobilization and deployment. The current Headquarters Marine Corps policy of retaining needed equipment in theater for use by deploying forces ensures that mobilized MARFORRES units will have the Primary End Items necessary to conduct their mission.

MODERNIZATION

The Marine Corps Reserve remains currently engaged in a two-pronged programmatic requirement strategy—fine tuning force structure while simultaneously determining the corresponding equipment requirements. Our main effort consists of resetting today's Force with today's equipment while seeking to determine future equipment requirements—all with the goal of building the most lethal, and best protected, marine and Marine Corps. I am extremely pleased to report to you that your

Marine Reserve component continues to evolve and adapt to best prepare and face the full spectrum of threats.

As with all we do, our number one focus is the individual marine and sailor. Our efforts to equip and train our most valued resource have resulted in obtaining the most appropriate individual combat and protective equipment: M4 rifles, Advanced Combat Optic Gunsight 4X32 scopes, Lower Body Armor, and Night Vision goggles, to name a few.

Our most noteworthy structure-related accomplishments are those associated with the Marine Corps Force Structure Review Group (FSRG). As part of a Total Force effort, the Marine Corps Reserve is transforming underutilized legacy units into new units with higher threat-relevant capabilities while providing operational tempo relief in high-demand areas: Intelligence, Anti-Terrorism, and Light Armored Reconnaissance. In last year's testimony we reported the results of the 2004 Force Structure Review Group, which called for decreasing artillery and tank capability while increasing civil affairs, intelligence, mortuary affairs, and light armored reconnaissance capabilities within the Reserve component over a 3-year period (fiscal years 2005–2007). With fiscal year 2005 actions largely complete and fiscal year 2006 actions well underway, the Reserve component is better postured to sustain the long war while simultaneously achieving a greater irregular warfare capability.

NATIONAL GUARD AND RESERVE EQUIPMENT APPROPRIATION

The NGREA continues to provide invaluable procurement support 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. Fiscal year 2006 NGREA provided $30 million, which enabled us to craft a fiscal year 2006 procurement plan consistent with those of fiscal year 2005: tactical communications/power generating devices and training enhancements.

Specifically, fiscal year 2006 NGREA will procure four Virtual Combat Convoy Trainers-Marine (VCCT–M) and two LAV Combat vehicle training simulators. These simulators provide realistic convoy crew training and incidental driver training to your marines. Two of these systems will be deployed to Camp Lejeune and two will be reserved for units in the pre-deployment pipeline.

Additional items identified for fiscal year 2006 NGREA procurement include: the Integrated Intra Squad Radio, the Ground Laser Target Designator, Intransit Visibility Management Packages, the Defense Advanced GPS Receiver, Marine Expeditious Power Distribution Systems, and PRC–148 Radios. Each year, NGREA enables us to gain the necessary ground needed to establish and maintain interoperability and compatibility with the Active component.

Looking forward, my top modernization priorities as described in the fiscal year 2007 National Guard and Reserve Equipment Report and other documents, remain the procurement of Light Armored Vehicles, tactical communications, initial issue equipment, and training enhancement devices.

INFRASTRUCTURE

MARFORRES is and will continue to be a community-based force. This is a fundamental strength of MARFORRES. 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. MARFORRES units are currently located at 185 sites in 48 States, the District of Columbia, and Puerto Rico; 34 sites are owned or leased by the Marine Corps Reserve, 151 are either tenant or joint sites. Fifty-four percent of the Reserve centers we occupy are more than 30 years old and of these, 46 are over 50 years old. The fiscal year 2007 budget fully funds sustainment of these facilities and we are working through a backlog of restoration and modernization projects at centers in several States.

The age of our infrastructure means that much of it was built before Antiterrorism/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. We appreciate the congressional support provided for our Military construction program in fiscal year 2006 as it provided for construction to replace the Reserve Center in Charleston, South Carolina, a complex of buildings dating to 1942, and joint construction with the Alabama Army National Guard in Mobile, Alabama. While

two Marine Corps owned Reserve centers, Lafayette, Louisiana and Galveston, Texas, sustained very minor damage from the Hurricanes Katrina and Rita, the hurricanes' impact on construction costs in the south has negatively affected our ability to award these two fiscal year 2006 projects. Absent fiscal relief, final completion of these projects will be delayed significantly.

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. With the changes in Force structure resulting from the Marine Corps Force Structure Review in 2004, extensive facilities upgrades are required at a few locations. Our top priority sites are San Diego, California; Windy Hill (Marietta), Georgia; and Camp Upshur (Quantico), Virginia.

BRAC 2005

BRAC 2005 moved us toward 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 developed Reserve basing solutions that further reduce restoration and modernization backlogs and AT/FP vulnerability. Twenty-three of the 25 BRAC recommendations affecting the Marine Corps Reserve result in joint basing of our units. Implementation of these recommendations will be a challenge across the Future Year Development Plan. Of the other two, the Federal City in New Orleans appears both promising and challenging. We look forward to working with the State and local governments in this unique venture. The final BRAC-recommended move is from a Navy-hosted facility in Encino, CA, to a Marine Corps Reserve-owned facility in Pasadena, CA.

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 MARFORRES. 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 vital part of the Marine Corps Total Force Concept. Supporting your Reserve marines at the 185 sites throughout the United States, by ensuring they have the proper facilities, equipment and training areas, enables their selfless dedication to our country. Since September 11, your Marine Corps Reserve has met every challenge and has fought side by side with our active counterparts. No one can tell the difference between the Active and Reserve—we are all marines.

The consistent support from Congress for upgrades to our warfighting equipment has directly affected the American lives saved on the battlefield. However, as I stated earlier, much of the same equipment throughout the force has deteriorated rapidly due to our current operational tempo.

Although we currently maintain a high level of readiness, we will need significant financial assistance to refresh and/or replace our warfighting equipment in the very near future. Also, as the MARFORRES adjusts its force structure over the next 2 years, several facilities will need conversions to create proper training environments for the new units. Funding for these conversions would greatly assist our warfighting capabilities.

As I have stated earlier, NGREA continues to be extremely vital to the health of the Marine Corps Reserve, assisting us in staying on par with our Active component. We have seen how the NGREA directly improved our readiness in recent operations, and we look forward to your continued support of this key program.

My final concerns are for Reserve and Guard members, their families and employers who are sacrificing so much in support of our Nation. Despite strong morale and good planning, we understand that activations and deployments place great stress on these praiseworthy Americans. Your continued backing of "quality of life" initiatives will help sustain Reserve marines in areas such as education benefits, medical care and family care.

My time thus far leading MARFORRES has been tremendously rewarding. Testifying before congressional committees and subcommittees is a great pleasure, as it allows 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.

STATEMENT OF LT. GEN. JOHN A. BRADLEY, USAF, CHIEF, AIR FORCE RESERVE

General BRADLEY. Senator Graham, Senator Nelson, thank you for your hearing. Thank you for your leadership and all the help that you've given us over the last many years.

You and your colleagues have provided our airmen in the Air Force Reserve, as well as our other servicemembers, many benefits, bonuses, and pay raises, which have had a huge impact on the lives of our people.

I'm proud to represent our airmen in the Air Force Reserve, who are working very hard for this Nation. We're providing tactical and strategic airlifts through C–130s and C–17s by mobilizing people and sending them to the Central Command (CENTCOM) area of responsibility. We're providing close-air support for soldiers and marines frequently flying F–16s and A–10s in Iraq and Afghanistan. I've welcomed hundreds of people home from the war, and I'm very proud of what they've done. Those folks are doing it as volunteers; they're not mobilized. I love the way the Air Force has structured our deployments so that we can plan it, and people know what to expect, and they want to be a part of it. We have no shortage of volunteers.

Our end strength is good. We're 102 percent manned. We are at about 103 percent of recruiting goal, year to date. I feel good about that. I worry all the time about retention. It's something always on my mind, but thanks to you and the many things that you provided us, the tools, in the way of bonuses and so forth, we are able to hold onto our people. I think even more than the money, it is just the pride in what they're doing and believing they're contributing to something important.

I'm proud of our folks. Our response overseas has been tremendous. On the Gulf Coast, we had search-and-rescue folks save over 1,000 lives. We had hurricane hunters, whose homes were destroyed in Gulfport and Biloxi, continue to fly missions while their families were trying to get their lives back in order.

We have a lot to be proud of in the Air Force Reserve, as all of my colleagues are proud of their soldiers, sailors, airmen, and marines.

I'll look forward to your questions, sir.

[The prepared statement of General Bradley follows:]

PREPARED STATEMENT BY LT. GEN. JOHN A. BRADLEY, USAF

Mr. Chairman, and distinguished members of the subcommittee, I appreciate the opportunity to appear before you today. I want to thank you for the support you have shown us these past few years and I am happy to report it's making a difference. At a Reserve Chief's hearing, we were recently asked how Guard and Reserve members compare to Active-Duty when they were mobilized. Due to your committees continued legislative support, we unanimously replied that when a Guard or Reserve member is activated they are indistinguishable from the Active-Duty.

We anticipate last year's provision to expand Selected Reserve member eligibility under TRICARE standard will increase medical readiness for mobilization. With so much attention on mobilization we appreciate the committee's interest in initiatives that encourage volunteerism because the Air Force Reserve relies heavily upon this means of support to meet contingency and operational requirements. In particular, eliminating Basic Allowance for Housing rate difference for orders greater than 30 days addresses a long-standing issue that Reserve members have identified as a deterrent to volunteerism. Another barrier was eliminated with support of authorized absences of members for which lodging expenses at temporary duty location must

be paid. This change applied the Active-Duty standard to Guard and Reserve members when they are on Active-Duty orders. In the coming year we will continue to seek ways to facilitate volunteerism as the primary means of providing the unrivaled support on which the Air Force has come to rely.

MISSION CONTRIBUTIONS 2006

Air Force Reserve accomplishments since September 11 and, more specifically, in the last fiscal year, clearly show that the Air Force Reserve is a critical component in the security of our Nation. The Air Force Reserve has made major contributions to the global war on terror with more than 80,000 sorties (360,000 flying hours) flown in support of Operations Noble Eagle, Enduring Freedom (OEF), and Iraqi Freedom (OIF). The Air Force Reserve has flown almost 52,000 sorties in support of OIF since 2003, with 14,658 of those (55,781 flying hours) in fiscal year 2005. Our Air Force Reserve members have flown more than 28,000 sorties in support of OEF since 2002, contributing 5,328 sorties (25,409 flying hours) in fiscal year 2005. Here at home, the Air Force Reserve has flown more than 10,000 sorties supporting the vital Operation Noble Eagle mission since 2002; 150 sorties (906 flying hours) in fiscal year 2005. These contingency support missions fighter support, Combat Search and Rescue, Special Operations, Aerial Refueling and Tactical and Strategic Airlift—mirroring and in conjunction with Total Force operations. This past year, C–130 and C–17 aircraft flew the majority of Air Force Reserve missions in the area of responsibility (AOR). As you may know, 61 percent of the Air Force's C–130s are assigned to the Air Reserve component. In a recent trip, Senator Lindsey Graham witnessed this preponderance of Reserve component airlift first hand and mentioned it at the Guard and Reserve Commission hearing on March 8, 2005. Of the 20 sorties he flew in the OEF and OIF AOR, he stated Active-Duty crews only flew one.

HOMELAND CONTINGENCY SUPPORT

The onslaught of hurricane strikes to the coastal United States in 2005 required a response unlike anything seen in our modern history. The Air Force Reserve was fully engaged in emergency efforts; from collecting weather intelligence on the storms to search and rescue, aeromedical and evacuation airlift. Hurricanes Katrina, Ophelia, Rita, and Wilma drew heavily on the expert resources of our component to assist in relief efforts. Almost 1,500 Air Force Reserve personnel responded to these efforts within 24 hours, with some of these members, from the 926th Fighter Wing at New Orleans, Louisiana, and the 403rd Airlift Wing at Keesler Air Force Base (AFB), Mississippi, struggling to protect their own unit's resources from storm damage.

Two units that stood especially tall amongst our reservists were the 53rd Weather Reconnaissance Squadron also known as the Hurricane Hunters based at Keesler AFB and the 920th Rescue Wing based at Patrick AFB in Florida. The Hurricane Hunters flew 59 sorties with their new WC–130J aircraft into the eye of hurricanes and tropical storms to determine the strength and path of the weather systems even while their homes were being destroyed. Even after they had lost everything, they continued to perform their mission flawlessly from Dobbins, GA. The 920th Rescue Wing, the first unit on the scene, flew more than 100 sorties recovering 1,044 people who were threatened by the rising water.

During the same time other Reserve airlift units from around the country were responding with medical and evacuation teams that assisted in the transfer of more than 5,414 passengers and patients within and from affected areas. In fact, the Air Force Reserve accounted for more than 80 percent of aeromedical evacuations. Combined rescue and airlift missions over the 60-day period of these storms surpassed 500 sorties and transported 3,321 tons of relief cargo. Additionally, to combat insect-borne illnesses such as malaria, West Nile virus and encephalitis that often gain footholds during natural disasters, our 910th Airlift Wing from Youngstown, Ohio utilized their C–130s to spray 10,746 gallons of insecticide across 2.9 million acres. This is an area roughly the size of the State of Connecticut and spanned locations from Texas to Florida. Interagency coordination with State and Federal organizations also resulted in the Air Force Reserve assisting in the areas of communications, civil engineering, security forces, food services, public affairs, and chaplaincy support to aid in overall relief efforts.

OUR PEOPLE: MOBILIZATION VS. VOLUNTEERISM

The backbone of the Air Force Reserve is our people because they enable our mission accomplishment. These patriots, comprised of unit reservists, individual mobility augmentees, Air Reserve technicians, Active guard reservists, and civilians, continue to dedicate themselves to protecting the freedoms of the American people. The

operations tempo to meet the combatant commanders' requirements since September 11 remains high and is not expected to decrease significantly in the near future. A key metric that reflects this reality is the number of days our Reserve aircrew members are performing military duty. In calendar year 2005, each of our aircrew members served an average of 91 days of military duty. This is a significant increase compared to an average 43 days of military duty per aircrew member in calendar year 2000, the last full calendar year before the start of the global war on terrorism.

In order to meet the continuing Air Force requirements since September 11 and having maximized the use of the President's Partial Mobilization Authority, the Air Force Reserve has begun to rely more heavily on volunteerism versus significant additional mobilization. There are several critical operational units and military functional areas that must have volunteers to meet ensuing mission requirements because they are near the 24-month mobilization authority. These include C–130, MC–130, 8–52, HH–60, HC–130, E–3 AWACS, and Security Forces. Over calendar year 2005, the Air Force Reserve had 6,453 members mobilized and another 3,296 volunteers who serve in lieu of mobilization to support global war on terror. As the 2005 calendar year closed, the Air Force Reserve had 2,770 volunteers serving full-time to meet global war on terror requirements and 2,553 reservists mobilized for contingency operations. We expect this balance to become increasingly volunteer-based as this "Long War" continues.

Flexibility is the key to increased volunteerism and will enable us to bring more to the fight. To eliminate barriers to volunteerism, the Air Force Reserve has several ongoing initiatives to better match volunteers' desires and skill sets against the combatant commanders' mission requirements. For example, the Integration Process Team we chartered to improve our volunteer process recently developed a prototype Web-based tool. It gives the reservist the ability to see all the positions validated for the combatant commanders and allows the Air Force Reserve to see all qualified volunteers for placement. We must have the core capability to always match the right person to the right job at the right time. We also expect to positively affect volunteerism as a result of the National Defense Authorization Act of Fiscal Year 2005. This Act fosters more continuity in volunteerism because it liberated end strength rules and provided equal benefits for mobilized personnel. Facilitating the reservists' ability to volunteer provides more control not only for the military member, but also for their family, employer, and commander. The predictability, in turn, allows for more advanced planning, the least amount of disruption, and, eventually, more volunteer opportunities.

SHAPING THE RESERVE FORCE

As an equal partner in the Air Force Transformation Flight Plan (PBD720), the Air Force Reserve plans to realign resources so it can transform to a more lethal, more agile, streamlined force with an increased emphasis on the warfighter. In this process, we plan to eliminate redundancies and streamline organizations, which will enable a more capable force of military, civilians, and contractors while freeing up resources for Total Force recapitalization. There will be no personnel reductions as a result of Air Force Transformation Flight Plan in fiscal year 2007. Our reductions begin in fiscal year 2008. Over the FYDP the Air Force Reserve is planning for an end strength reduction so that at the end of fiscal year 2011, the end strength will be 67,800 personnel.

RECRUITING AND RETENTION

The Air Force Reserve has enjoyed unprecedented levels of retention, while simultaneously meeting our recruiting goals, for a fifth consecutive year. I am proud of the fact that our reservists are directly contributing to the warfighting effort every day. When our Reserve airmen are engaged in operations that employ their skills and training, there is a sense of reward and satisfaction that is not quantifiable. I attribute much of the success of our recruiting and retention to the meaningful participation of our airmen.

That being said, the 10 percent reduction in personnel planned over the FYDP, coupled with the impact of BRAG initiatives, may present significant future recruiting and retention challenges to the Air Force Reserve. With the personnel reductions beginning in fiscal year 2008 and the realignment and closure of Reserve installations due to Base Realignment and Closure (BRAC), approximately 20 percent of our force will be directly impacted by the planned changes through new and emerging missions as well as mission adjustments to satisfy Air Force requirements. In light of all these challenges, we expect the recruiting and retention environment will be turbulent and dynamic.

Unlike the Active-Duty, the Air Force Reserve does not have a robust assignment capability with command-leveling mechanisms that would assist in the smooth transition of forces from drawdown organizations into expanding organizations. In drawdown organizations, the focus will be on maintaining mission capability until the last day of operations, while also trying to retain as much of the force as possible and placing them in other Air Force Reserve organizations. At the same time, we will need to employ some transition assistance measures, which will provide our affected units with options to retain our highly trained personnel. This contrasts greatly with the organizations gaining new missions and/or authorizations. We need to remember that the Air Force Reserve is a local force and that growing units will face significant recruiting challenges when considering the availability of adequately qualified and trained personnel. As has always been the case, we will focus on maximizing prior service accessions. Regular Air Force reductions over the FYDP could prove to be beneficial since the regular component critical skills closely match those in the Reserve. Other prior service individuals accessed by the Reserve will inevitably require extensive retraining which could prove costly. The bottom line is that retaining highly trained individuals is paramount. Retention must be considered from a total force perspective, and any force drawdown incentives should include Selected Reserve participation as a viable option. Legislation should not include any disincentives to affiliate with the Reserve component.

BASE REALIGNMENT AND CLOSURE

Recruiting and retention are particularly important when considering the significant impact of the 2005 BRAC Commission recommendations. We had seven bases realigned and one, General Billy Mitchell Field in Milwaukee, Wisconsin, closed. To our Reserve airmen, a base realignment, in many cases, is essentially a closure. When BRAC recommended the realignment of our wing at Naval Air Station New Orleans, our airplanes were distributed to Barksdale AFB, Louisiana and Whiteman AFB, Missouri, while the remaining Expeditionary Combat Support was sent to Buckley AFB, Colorado. In another example, BRAC recommended the realignment of our wing at Selfridge Army National Guard Base, Michigan and directed the manpower be moved to MacDill AFB, Florida to associate with the Regular Air Force. Selfridge, Michigan to Tampa, Florida, is a challenging commute for even the most dedicated person. These are just a few examples of the impact base realignments can have on our reservists. In the majority of the realignments, their ability to serve is hindered due to the distances they must travel to participate. In this post-BRAC environment, we continue to strive to retain the experience of as many of our highly-trained personnel as possible. We are working closely with the Air Force and the Office of the Secretary of Defense on initiatives, which will encourage those who were impacted by BRAC decisions to continue to serve.

ONE TIER OF READINESS

We, in the Air Force Reserve, pride ourselves in our ability to respond to any global crisis within 72 hours. In many cases, including our response to the devastation during the hurricane season, we are able to respond within 24 hours. We train to the same standards as the Active-Duty for a reason. We are one Air Force in the same fight. With a single level of readiness, we are able to seamlessly operate side-by-side with the Regular Air Force and Air National Guard in the full spectrum of combat operations. As an equal partner in day-to-day combat operations, it is critical we remain ready, resourced, and relevant.

FAMILY SUPPORT

The military commitment that reservists make has a profound effect on their families. There is no denying the military lifestyle; the possibility of unexpected deployments, often into areas where there is unrest, can play havoc on a family unit. Family Readiness offers a variety of services to support military families during these stressful times. Family Readiness offices provide the following services for the families of deployed reservists:

- Family Readiness Data Card completed by member at deployment for special needs
- Information and Referral services to appropriate support agencies
- Video Telephones available at deployed site and unit site
- Assistance with financial questions and concerns
- FAMNET (Family Support global communication network) available at 63 countries (Internet access not required)
- Telephone Tree Roster for communication to the families from the unit

- Joint interservice family assistance services
- Family Support Groups
- Crisis Intervention Assistance
- Morale Calls
- Volunteer opportunities
- Letter Writing kits for Children
- Reunion activities
- E-mail

What is amazing is that there are 21 full-time positions throughout the Air Force Reserve to handle all these responsibilities. Family Readiness offices support Reserve component members during times of mobilization but also with operational missions. In May 2005, Dobbins Air Reserve Base, Georgia, held a recognition event for family members and brought agencies from across the spectrum to answer questions. A few months later they found themselves playing host to displaced Reserve component members and their family from Hurricane Katrina.

In 2005 there was a 12-percent increase in usage of Air Force Reserve Family Readiness support. According to the Family Readiness Office at Headquarters Air Force Reserve Command (AFRC), family members are displaying the effects of mobilization and seeking assistance from readiness offices and organizations like OneSource.

AFRC Top Issues:

- Emotional well-being
- Stress from repeated deployments and length

OneSource Top Issues:

- Emotional well-being
- Financial
- Personal and family readiness issues
- Parenting and everyday issues
- Education (suddenly being military)

The command has seen a 38-percent usage of face-to-face counseling service through free developmental counseling of six sessions offered per issue at no cost. The provider is found within 30 miles of residence rather then just at the closest military installation. In these sessions there is a focus on grief and loss, reintegrating couples in their relationship and achieving work/life balance.

Improving family readiness programs by making connections with the family stronger, helping them become better prepared, and having a proactive outreach program to ensure both unit and individual and family readiness are a few of the necessary developments.

Just as Reserve component members are participating at far greater rates, our Family Readiness is a 365-day a year program. We now have demobilization training and that is harder to get our arms around because members want to get home. When they finally recognize they need help, we are left scrambling for providing assistance. This is additionally harder in places like Peterson AFB, Colorado and Maxwell AFB, Alabama, where Family Readiness is an additional duty. The command is currently working on how best to help meet these growing requirements. One thing that hasn't changed is that families are proud of the military member's role in fighting the war on terrorism.

New Mission Areas:

The Air Force Reserve will continue to transform into a full spectrum force for the 21st century by integrating across all roles and missions throughout the Air, Space, and Cyberspace domains. Our roles and missions are mirror images of the Active component. Bringing Air Force frontline weapon systems to the Reserve allows force unification at both the strategic and tactical levels. Indeed, we are a unified, total force.

Sharing the tip of the spear, our focus is on maximizing warfighter effects by taking on new and emerging missions that are consistent with Reserve participation. Reachback capabilities enable Reserve Forces to train for and execute operational missions in support of the combatant commander from home station. In many cases, this eliminates the need for deployments. The Associate Unit construct will see growth in emerging operational missions such as: Unmanned Aerial Systems, Space and Information Operations, Air Operations Centers, Battlefield Airmen and Contingency Response Groups. The Active/Air Reserve component mix must keep pace with emerging missions to allow the Air Force to operate seamlessly as a Total Force. This concurrent development will provide greater efficiency in peacetime, and increased capability in wartime.

Transforming and Modernizing the Air Force Reserve:

Equipment modernization is our lifeline to readiness. The United States military has become increasingly dependent on the Reserve to conduct operational and support missions around the globe. Effective modernization of Reserve assets is key to remaining a relevant and capable combat ready force. While the Air Force recognizes this fact and has made significant improvement in modernizing and equipping the Reserve, the reality of fiscal constraints still results in shortfalls in our modernization and equipage. While a few of our unfunded priorities are included on the Air Force Unfunded Priorities List, most are not, creating significant shortfalls. These items are critical to push combat capability to the warfighter and meet the challenges of combat survival and employment for the next 20 years. Funding our modernization enhances availability, reliability, maintainability, and sustainability of aircraft weapon systems; strengthening our ability to ensure the success of our warfighting commanders and laying the foundation for tomorrow's readiness.

FISCAL YEAR 2006 NATIONAL GUARD AND RESERVE EQUIPMENT ACCOUNT (NGREA)

We appreciate the support provided in the 2006 NGREA. In fiscal year 2006 the Air Force Reserve is spending $30 million on critical aircraft modernization and miscellaneous equipment to help fulfill our Nation's air, space, and cyberspace peacetime and wartime requirements. The items we purchase this year are prioritized from the airmen in the field up to the Air Force Reserve Command Headquarters and vetted through the Air Staff. These items run the gamut from multi-function aircraft displays, security forces night vision devices, defensive systems, aircraft radar upgrades and enhanced strike capabilities.

The Air Force Reserve is spending $3.21 million on modernizing the A–10 aircraft Litening AT POD interface. Use of a Multi-Function Color Display (MFCD) provides additional capability, including data link integration, machine-to-machine image transfer, moving map, cursor-on-target and ARC–210 integration. We are also completing our buy of 23 additional Situational Awareness Data Link radios for the A–10 at a cost of $920,000. We are continuing our support for the radar test stand modification and the Joint Helmet Mounted Cueing System with $1.3 million. We continue to purchase Litening AT Pods; this year we have added $9.688 million to the conference appropriation of $12.4 million for a total of $22.088 million. This 15-pod procurement completes the current total validated command pod requirement. Additionally this procures spares, support equipment and required warranties.

Upgrading the C–130 fleet with all-weather color radar has been an Air Force Reserve priority for the last several years. This year we continue our dedication to the program by adding $4.75 million to the conference appropriated $7.5 million for a total of $12.25 million to purchase 14 radars. This means 60 percent of the Air Force Reserve C–130 fleet will have the APN–241 radar. We are also spending $1.8 million to begin installing the capability for both C–130 pilots to dispense chaff and flares to enhance survivability in a combat environment. Previously, aircrews had to rely on crew positions other than the pilots to react to threats. Adding this capability doubles the number of crewmembers who can effectively counter threats in a timely manner.

The Air Force Reserve also has a need for Defensive Systems testers, specifically, an end-to-end ground-based tester for the AAR–47 missile detection system and an ALE–47 IR countermeasures dispensing system. The desired capability will allow testing of the complete system while it is in normal operation mode by transmitting independent, external signals to the AAR–47, rather than using built in testing routines that are not comprehensive.

On our B–52s we are installing Smart MFCD and Digital/Analog Integrated Track Handle which will provide the most cost effective solution to resolve a critical shortage with B–52 Targeting Pod controllers. Along those same lines we are also installing a MFCD to enhance our search and rescue capabilities on the HH–60 helicopter. The combat rescue mission requires increased computer processing capability and color displays to enhance target identification and moving map capability.

Night vision operations continue to be at the forefront in the Air Force Reserve. We rely on our Security Forces in all aspects of the battle and depend on our Pararescue personnel, Pararescue Jumpers (PJs), for personnel recovery. To that end we are spending $330,000 to outfit our Security Forces Personnel with Night Vision Devices and laser sights. Since our PJs have long operated with outdated Night Vision Goggles, $2.1 million is being spent this year to upgrade the PJs capabilities, both in the air and on the ground via acquisition of advanced night vision devices.

RECONSTITUTION

Reconstitution is a planning process with the purpose of restoring "units back to their full combat capability in a short period of time." The Global War on Terror is having a significant and long-term impact on the readiness of our Air Force Reserve units to train personnel and conduct missions. The goal must be to bring our people and equipment back up to full warfighting capability.

The rotational nature of our units preclude shipping equipment and vehicles back and forth due to cost and time constraints, therefore, equipment is kept in the AOR to allow quick transition of personnel and mission effectiveness. After September 11, 2001, and during OIF and OEF, units returning back to the continental United States returned without the same level of equipment as when they deployed. Equipment and vehicles have remained in the AOR to support rotations and mission requirements, which has a negative impact on readiness for the Total Force.

To preclude mission degradation, reconstitution plays a vitally important role for the returning unit. Air Force Reserve Command, working with the Air Staff, has put together a Memorandum of Agreement to replace approximately $2.2 million in transferred, withdrawn, or diverted assets that were used in support of OIF/OEF. Our Air Force Reserve units need this equipment to train and perform their mission.

CLOSING

I would like to close by offering my sincere thanks to each member of this committee for their continued support and interest in the men and women of your Air Force Reserve. Recruiting and retaining our experienced members is the best investment the country can make because it ensures a force that is ready and able to go to war at any time. The Air Force Reserve continues its heritage of providing operational support while maintaining a strategic reserve capability. Our vision is to provide the world's best mutual support to the Air Force and our joint partners and we appreciate your continued support in helping us defend this Nation in our role as an unrivaled wingman.

Senator GRAHAM. That's a good way to begin the questions. We are all very proud of what you've done and the people you represent.

To those who have been called here as an example of service and sacrifice, the captains and the sergeants, thank you all very much for what you've done. They are all amazing and very encouraging stories.

Do the benefit packages that we've tried to design based on higher levels of stress that we didn't anticipate—as you said, General Helmly, we have changed those benefits, in terms of pay and bonuses and health care—is there general consensus that this is working, when it comes to recruiting and retention? If you don't think it's working, speak up.

General HELMLY. Mr. Chairman, in my judgment it is helpful. I believe the other part that must be addressed is communications. I know that when I took office, most of our ads emphasized 1 weekend a month, and 2 weeks in the summer.

Senator GRAHAM. You don't do that anymore, do you?

General HELMLY. Frankly, they were broken expectations that have created a large part of our challenge. Our ads now emphasize, "Honor is never off duty. This is not your everyday job." We're very frank upfront. We have put forth initiatives to remind folks, "This is more than money and benefits. This is all about service to the Nation." I'm always cautious that money is not the be-all and end-all in a benefits package. We must provide our soldiers, sailors, airmen, and marines, Active and Reserve components, with a standard of living commensurate with their sacrifice for our Nation. I don't believe we want the kind of force that money will buy.

Senator GRAHAM. Right. You will never get people to do what you do for the money. I don't care how much money you put on the table. We're not hiring Hessians here. We're trying to get Americans to come forward and say, "All right, count me in."

Along the benefits line, has TRICARE eligibility for the deployable Guard and Reserves been well received?

Admiral COTTON. Mr. Chairman, I'd like to comment on that. Yes, sir, it has most assuredly, especially this TRICARE Reserve Select Program. I'd like to add one further comment on that. Right now, it is for people who have served in support of a contingency for 90 consecutive days. We send some great folks over to CENTCOM, and they serve. However, we have people serving around the globe in many other actions, who might not be part of a designated contingency, who are accumulating, over many kinds of sets of orders, greater than 90 days. For example, an Air Force or a Navy C–130 pilot that flies 120 days a year, but not consecutive, might not eligible for this benefit. As we all know, health care is very important. This is just a small change to that, that we might look at, to reward those people that are doing many things every single day, but maybe not 90 consecutive days, in support of a contingency.

Senator GRAHAM. This is a good exchange, because we have recently, along with Senator Nelson and others, fixed that. In October, it's for anybody in the Selected Reserves.

Now, here's what I've learned from this exchange. Nobody knows that. We need to get the message out. Coming this October—am I right about that?—that the 90-day requirement's going to be replaced? If you're a member of the Selected Reserves, there will be a three-tiered system, in addition to the 90 days. Everybody will have access to health care at different levels, but the entire deployable Selected Reserve Force will be able to sign up for one of three levels. Let's do all we can to get that out.

General BRADLEY. Yes, sir, that's exactly right. I think it's a good system. It offers options for people that will help them greatly. It's a great benefit. Thanks for the change.

Senator GRAHAM. I appreciate this exchange. It's helped us all understand that the three-tier system needs to be better advertised.

General JAMES. I concur. The feedback I get from my folks is that they're really appreciative of what you're doing for them, because of the new nature of our commitment.

I failed to introduce my senior NCO representative here today, Command Chief Master Sergeant Laurie Casucci. She is representing the over 90,000 enlisted men and women in the great Air National Guard. Chief Casucci, my apologies. She is a wonderful, professional command chief, and she's representing Command Chief Dick Smith, who couldn't be with us today.

Senator GRAHAM. Thank you, Chief, for your service.

Let's go on to the next benefit question. The brewing desire of Congress, slowly but surely, is to allow people to retire at 55, rather than 60, if they'll serve from 20 to 30 years. You need to lose sleep about that. I do. I know you all do. The one thing I worry about is not only retention, but also how do you keep this force together, given the demands on it? We're losing a lot of people—or

at least I believe we're losing people at the 20-year point who may have stayed longer, because it's getting tough. Senator Chambliss, Senator Nelson, others, and I have been working to come up with a package that, for every 2 years you serve past 20 years, you would be eligible to retire a year earlier. That's another way of doing it, where all the points you accumulate allow you to retire at a faster pace. There are two or three different ways of doing this. The bottom line is, what effect do you believe it would have on retaining people from the 20- or 30-year point if we had an incentive system so you could retire earlier than 60?

General HELMLY. Mr. Chairman, I have no empirical data to support my argument, so I will give you my professional judgment. I believe we would see a spike, or an increase in retention beyond 20 years. We have seen, as the stress of the war continued, an increase in the number of those willing to leave us at the 20-year mark. That's grown by about 15 to 20 percent per annum over the last couple or 3 years. In the kind of force that we fight with today, which is skill-intensive in all Services, vice numbers-intensive, retention only makes good sense.

Senator GRAHAM. Very quickly—the vote started at 3:05 p.m., so I'll move on here—the 365-day call-up, versus 270, do you support that concept?

Admiral COTTON. Mr. Chairman, I have a comment on that.

Senator GRAHAM. Yes.

Admiral COTTON. I think we should ask the customer and that's the combatant commander. Once you train someone for duty and get them into theater, you want to use them a little bit longer. This would give them the flexibility to train en route, deploy for 6, 7, or 8 months, and then have downtime afterwards. I think we'd increase the flexibility of our customers if we did 365 days.

Senator GRAHAM. Does anyone disagree with the idea of going from 270 to 365 days?

General HELMLY. Mr. Chairman, I don't. I'm mindful of the fact that we have to look at the entire mobilization call-to-duty process. The 270-day was built for the Cold War. It was built to prime the pump for, then, a partial mob. I'm mindful that the current partial mob law was written in about 1953, for an entirely different kind of force than we have today, and an entirely different kind of threat, and certainly not for a long war.

Senator GRAHAM. The numbers of the Marine Corps are just astounding. You described it very well. This is a Reserve Force, in name only, really. You're all playing in the war. When you have 97 percent of the people activated, or 70 percent of the force activated, it's just clear that if you join up, you're going to be called on to serve. Our benefits and equipment need to reflect that.

I have one last thing, and then I'll turn it over to Senator Nelson. The equipment accounts. We're very sensitive here that we're leaving equipment behind, and the units are being underfunded when it comes to equipment, and you don't have what you need. Could you all briefly comment on how you see the state of the equipment and what we need to do?

Admiral COTTON. Mr. Chairman, I'd like to say that it's not just the equipment we have now, it's also the Navy growing into some new missions. We've just recently established the Navy Expedi-

tionary Combat Command, and bringing back riverine for missions. So, it'll be dollars for some new equipment, too, and some new missions, in support of the long war.

Senator GRAHAM. General?

General BERGMAN. Sir, the cyclic rate of the equipment, as we all know, is astronomical. It is a 1-year-in-1-month type of thing. Some smart decisions need to be made, and I know all the Services are looking at: Where do we stop repairing, and where do we just buy new? It has its challenges. In the end, as long as the Reserve components have the equipment to train with, we know that, when they get into theater, the equipment will be there to fight with.

General VAUGHN. Mr. Chairman, General Blum hit this. For us, it's really about transparency. It's going to take a while to get back over this. I think if we have full faith and confidence that we're going to get it back, and we have training sets out there, and then you all are in a position to watch this thing all the way through, if you can see it flow all the way from the appropriations down to the end user, and it is transparent all the way through, just like our National Guard and Reserve equipment accounts, then we'll be in good shape. The Army is working in that direction. We just need to all be vigilant.

General HELMLY. Mr. Chairman, it would be, frankly, unprofessional if I said that we didn't get here because the Army didn't like us. The Army was $96 billion short, coming into 2000, on equipment. Our equipment's procured, in the main, by Army procurement dollars, Active, Guard, and Reserve. We find ourselves in a very deep hole. Our chief calls it "holes in the yard." In our case, we're about $10 billion short. The wear and tear, as the Marine Corps Commandant mentioned, and the shortage, have only exacerbated that. Now we find ourselves at about a 75-percent level of fill.

The last point I'll make is that the Army Reserves skill set is such that the kinds of equipment we use, while not capital-intensive, is normally in low density in the support items—cranes, dozers. Because of that, it doesn't make the high-visibility part of the equipment requirements. We have to pay close attention to it. It's going to take a long time, as General Vaughn said in the National Guard, to fix that.

General BRADLEY. Senator Graham and Senator Nelson, I wouldn't compare our problem to that of the Marines or the Army. But, for equipment, we're flying our airplanes a lot harder and a lot more often than our projections would have predicted for us. So, our aircraft are going to wear out. Our C–17s are performing magnificently, but we are using them at a much greater rate than we had planned. We will have some definite aircraft equipment needs down the road.

Also, in our other types of airplanes, like fighters, we need to continue to do some modernization, some small things on the airplanes that we have, that will carry us out until we have replacement airplanes through our recapitalization program. We will have some needs there, as well.

Senator GRAHAM. Senator Nelson?

Senator BEN NELSON. Thank you.

General Bradley, when BRAC realigns or closes a base, there can be some disruption to your personnel in that particular area. Some choose not to go with the change. Do you have the force management tools necessary to deal with BRAC and end strength reductions to ensure that your units and personnel maintain their mission capacity?

General BRADLEY. No, sir, we don't. In the 1990s, when we went through base closure actions, we had some tools, such as Reserve Transition Assistance Programs, that helped us with people who had served us well and faithfully, but just couldn't move several thousand miles, or hundreds of miles, to a new unit. As you point out, our reservists, when their bases are closed or their units are closed—and we're going to close five wings in the Air Force Reserve, due to base closure, many times, those positions are going to go hundreds or thousands of miles away. In the Active Air Force, they'll move those folks. We don't move them. People have served us 15 years or more, and can't continue. Now, we'll try to assist them to find another way to serve. We'll try to accommodate them in the Air Force Reserve or the Air National Guard or in the Army. Some people just can't continue. The Transition Assistance Program, such as the ones that we had in the 1990s, would be very helpful. I'd be very glad to provide your staff, if you'd like, some specific items that would be particularly helpful, that we had in the past.

[The information referred to follows:]

TITLE: Extension of Commissary and Exchange Privileges

Authorize the service secretaries to grant access to commissary and exchanges when terminated from the service due to force management initiatives. This particular authority was authorized under the 1993 NDAA and renewed under the 1999 NDAA.

This proposal recommends extending commissary and exchange privileges for 365-days after force reduction. Individuals who entered into the Selected Reserve now find themselves losing a benefit through discharge or involuntary reassignment from the SelRes. This option would only be extended to individuals meeting program participation requirements. In FY08 the closure of Selfridge AGS, Michigan will be complete and it is anticipated that out of 1,122 potentially 898 or 80 percent of the individuals will not move to Florida. In FY09, the only base closed is Willow Grove IAP, Pennsylvania and out of a population of 1,292, 80 percent of the population would be 1,034.

Legislative Language

The language below was previously used for the Reserve Transition Assistance Program.

SEC. 550. COMMISSARY AND EXCHANGE PRIVILEGES.

The Secretary of Defense shall prescribe regulations to authorize a person who involuntarily ceases to be a member of the Selected Reserve during the force reduction transition period to continue to use commissary and exchange stores in the same manner as a member of the Selected Reserve for a period of one year after the later of--

(1) the date on which that person ceases to be a member of the Selected Reserve; or

(2) the date of the enactment of this Act.

Sectional Analysis

This would put a temporary provision into place if Congress elects to handle transition benefits in the same manner as the previous BRAC.

TITLE: Montgomery G.I. Bill for the Selected Reserve

Authorize the service Secretaries to grant Force Management Transition Benefits to members of the Selected Reserve. This particular authority was authorized under the 1993 NDAA and renewed under the 1999 NDAA.

This proposal recommends allowing individuals to retain the use of education benefits. Individuals who entered into a contract for education benefits will lose that benefit through no fault of their own. This option would only be extended to individuals currently meeting program participation requirements. Contributions to the education accrual fund have already been made for these individuals. The accrual account actually has enough money so that AFR has not had to make contributions for several years. In the Air Force Reserve the participation rate is approximately 10 percent of eligibles. Recommend a sunset clause of FY12.

LEGISLATIVE LANGUAGE:

The language below was previously used for the Reserve Transition Assistance Program.

WAIVER OF CONTINUED SERVICE REQUIREMENT FOR MONTGOMERY GI BILL BENEFITS.

(a) IN GENERAL- The eligibility of a person referred to in subsection (b)--

(1) to be provided educational assistance under chapter 1606 of title 10, United States Code, may not be terminated under section 16134(2) of that title, or

(2) to be provided educational assistance under chapter 30 of title 38, United States Code, may not be terminated under section 3012(a) of that title,

on the basis of the termination of that person's status as a member of the Selected Reserve under the circumstances described in subsection (b).

(b) APPLICABILITY- Subsection (a) applies to a member of the Selected Reserve who, before completing the years of service in the Selected Reserve agreed to under section 16132(a) of title 10, United States Code, or the years of service required by section 3012(a) of title 38, United States Code, as the case may be, ceases to be a member of the Selected Reserve during the force reduction transition period by reason of the inactivation of his unit of assignment or by reason of involuntarily ceasing to be designated as a member of the Selected Reserve.

Section Analysis

This would put a temporary provision into place if Congress elects to handle transition benefits in the same manner as the previous BRAC. In essence this provision would mimic the active duty education benefit whereby it acts as a readjustment tool. The provision citations were updated to reflect the current Title 10.

TITLE: Temporary Continuation of Servicemember's Group Life Insurance

Authorize the service secretaries to grant temporary continuation of SGLI to members whose service is terminated for force management initiatives. This particular authority was authorized under the 1993 NDAA and renewed under the 1999 NDAA.

This proposal recommends extending SGLI coverage from 120 days to 180 days. Under the former Reserve Transition Assistance Period SGLI was extended up to 365 days. Extending the period of time to six months would allow individuals sufficient time to replace their insurance coverage either through new employment or contracting for their own insurance coverage. Individuals who entered into the Selected Reserve now find themselves losing a benefit through involuntary separation. This option would only be extended to individuals meeting program participation requirements. The Air Force Reserve expects to reduce the force by 7,744 members from FY08-FY11 and expects additional force reductions during BRAC implementation.

Legislative Language

SEC. 551. TEMPORARY CONTINUATION OF SERVICEMEN'S GROUP LIFE INSURANCE.

(a) CONTINUED COVERAGE- For the purposes of section 1968(a) of title 38, United States Code, the 120-day period of coverage provided for under paragraph (4) of such section shall be extended to a 180-day period of coverage in the case of a former member of the Selected Reserve referred to in subsection (b).

(b) ELIGIBILITY- Subsection (a) applies to a person who involuntarily ceases to be a member of the Selected Reserve during the force reduction transition period and is ready, willing, and able to perform the training described in section 1965(5)(B) of title 38, United States Code.

(c) PAYMENT OF PREMIUMS- The total amount of the cost attributable to insuring a person under this section shall be paid from any funds available to the Department of Defense for the pay of reserve component personnel that the Secretary of Defense determines appropriate.

(d) IMPLEMENTATION- The Secretary of Veterans Affairs shall take any contracting and other actions that are necessary to ensure that the provisions of this section are implemented promptly.

Sectional Analysis

The language was previously used for the Reserve Transition Assistance Program and it was adjusted for these purposes by reducing the coverage period from 365 days to 180 days. **Subparagraph (c) and (d) would not be included because the funds would be collected from the individual at time of separation.**

TITLE: Authorization to Offer Separation Pay

Authorize the Secretary of the Air Force to grant Force Management Transition Benefits to members of the Selected Reserve. This particular authority was authorized under the 1993 NDAA and renewed under the 1999 NDAA.

This proposal recommends paying separation pay for individuals who have completed at least 6 years but less than 15 years of service. Offering separation pay would encourage individuals to leave the service. This option would only be extended to individuals meeting participation requirements. The Air Force Reserve expects to reduce the force by 7,744 members from FY08-FY11 and expects additional force changes during BRAC implementation in the same period of time. Based on averages of the force the planned force reduction represents approximately 10 percent of the current force and of that number approximately 28 percent meet the requirements of this section.

Legislative Language (section references were updated)

SEPARATION PAY.

(a) ELIGIBILITY- A member of the Selected Reserve who, after completing at least 6 years of service computed under section 12732 of title 10, United States Code, and before completing 15 years of service computed under that section, is involuntarily discharged from a reserve component of the Armed Forces or is involuntarily transferred from the Selected Reserve is entitled to separation pay.

(b) AMOUNT OF SEPARATION PAY- (1) The amount of separation pay which may be paid to a person under this section is 15 percent of the product of--

(A) the years of service credited to that person under section 12733 of title 10, United States Code; and

(B) 62 times the daily equivalent of the monthly basic pay to which the person would have been entitled had the person been serving on active duty at the time of the person's discharge or transfer.

(2) In the case of a person who receives separation pay under this section and who later receives basic pay, compensation for inactive duty training, or retired pay under any provision of law, such basic pay, compensation, or retired pay, as the case may be, shall be reduced in such a schedule of monthly installments as the Secretary concerned shall specify, but not to exceed 25 percent of the monthly retirement income, until the total amount withheld through such reduction equals the total amount of the separation pay received by that person under this section.

(c) RELATIONSHIP TO OTHER SERVICE-RELATED PAY- Subsections (g) and (h) of section 1174 of title 10, United States Code, shall apply to separation pay under this section.

(d) REGULATIONS- The Secretary of Defense shall prescribe regulations, which shall be uniform for the Army, Navy, Air Force, and Marine Corps, for the administration of this section.

TITLE: Special pay: retention incentives for members qualified in critical military skills or assigned to high priority units

Amend Title 37 USC, Section 323, to authorize the service secretaries to pay retention bonuses at locations affected by BRAC and/or other force structure realignments. This discretionary authority would enable the services to maintain a sufficient manning posture to ensure uninterrupted operational readiness. The proposal provides a viable tool to retain experienced personnel.

This proposal recommends granting the service secretaries authority to pay discretionary bonuses to certain enlisted members of the SelRes affected by BRAC and/or force structure realignment actions. This discretionary authority would target those reservists in specialties where the cost to pay a bonus is less then the cost to assess and train a non-prior service member. The use of the authority would be driven by the manning posture in designated skills at locations gaining authorizations due to BRAC or other force structure realignments. By using this authority, it eases the hiring and recruitment burden of growing units, and it ensures the proper mix of skills and experience at these units.

The challenge of attaining acceptable operational readiness standards in minimum time is exacerbated if the positions are filled with non-prior service personnel. Considering the significant amount of time to take a new accession through basic training, technical training, and sufficient upgrade training, it is cost effective to encourage current SelRes members to transfer to the gaining location and remain in the Reserve Components. The average cost to initially train a non-prior service airman through basic military training and 7-level training is $166K. Besides the cost savings, current reservists already possess military adaptability and operational experience. Investment of training, medical standards, and ancillary training would be retained.

Legislative Language

Amend Title 37, USC, Section 323(b) to add after the word subsection, "or as part of a force management initiative"

Add subparagraph (4) as follows:

(4) in the case of a force management initiative the member agrees to remain in an active status in a reserve component for at least three years be either executing a written agreement if serving in an indefinite status or reenlists or voluntarily extends the service contract.

Sectional Analysis

Authorize the service secretaries to pay retention bonuses at locations affected by BRAC and/or other force structure realignments. This discretionary authority would enable the services to maintain a sufficient manning posture to ensure uninterrupted operational readiness. The proposal provides a viable tool to retain experienced personnel.

TITLE: Paid Inactive Duty Training (IDT) Travel for Reserve Members in Critical Skills Affected by Base Realignment and Closure (BRAC) and/or Force Structure Realignments

Authorize the service secretaries to pay IDT travel costs for selected members of the Selected Reserve (SelRes), who occupy designated critical skills specialties necessary for maintaining mission readiness, and who have been affected by BRAC and/or other force structure actions. This authority would enable the services to maintain uninterrupted operational readiness, while also bolstering retention of valuable, experienced assets.

This discretionary authority would be targeted to those members possessing specialties considered critical for retention and based on the needs of the service. The force management tool would cap at 2 years, with a 1 year extension for special circumstances. The entitlement would provide either round trip airfare to training location, or roundtrip POV use (350 mile maximum). This will allow sufficient time for the building unit to adjust to its new mission/authorization increase, as well as afford the effected members the time necessary to make a decision on continued SelRes participation at the new unit.

Unlike its active duty counterpart, the SelRes cannot command level or reassign its unit reservists through PCS actions. Thus, any unit build actions have the potential of causing recruiting and hiring burdens. Any loss of experienced personnel can also result in a training burden and its associated costs, especially if transferred positions are filled with non-prior service accessions. The average costs to train a non-prior service airman to the 7-skill level is approximately $166,000 the authorization of the travel entitlement can actually provide long-term savings. The driving factor behind the use of the authority would be the manning posture in critical skills at locations gaining authorizations due to realignments.

TITLE: Retention Incentive

This proposal recommends granting the service secretaries authority to pay discretionary bonuses to certain enlisted members of the SelRes affected by BRAC and/or force structure realignment actions. This discretionary authority would target those reservists in specialties where the cost to pay a bonus is less then the cost to assess and train a non-prior service member. The use of the authority would be driven by the manning posture in designated skills at locations gaining authorizations due to BRAC or other force structure realignments. By using this authority, it eases the hiring and recruitment burden of growing units, and it ensures the proper mix of skills and experience at these units.

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Sectional Analysis

Authorize the service secretaries to pay retention bonuses at locations affected by BRAC and/or other force structure realignments. This discretionary authority would enable the services to maintain a sufficient manning posture to ensure uninterrupted operational readiness. The proposal provides a viable tool to retain experienced personnel.

Senator BEN NELSON. That would be particularly helpful, because, obviously, we have to be prepared for it. So, thank you.

General BRADLEY. Yes, sir. Thank you for your question.

Senator BEN NELSON. General Vaughn, part of the reorganization of the Army Guard is to replace several of the combat brigades with Combat Support Brigades. Can you assure us that the personnel assigned to the Combat Support Brigades will be properly trained for their new missions?

General VAUGHN. Senator Nelson, as we work through this—this gets back to how we're organized, how many brigades—the Adjutants General now are involved in a collaborative process with the Army to figure out just what that really is. From the 28 Brigade Combat Teams (BCTs) we talked to, I can tell you that those BCTs

were a good structure, because they had combat support and combat service support sunk in them. They're going to be trained. What we have to watch for, and what the Adjutants General are going to watch for, is turbulence out there, because as you well know, the best thing we can do is keep people long-term in the same kinds of jobs. We're engaged, and the Army's now engaged with us in figuring out this issue that we ran into some 4 or 5 months ago, and we're doing it the right way now, collaboratively.

Senator BEN NELSON. General James, I know the Air National Guard has picked up some missions from the Active-Duty Air Force. Will you or your successor have the personnel needed for the missions if they're reduced by over 14,000 air men and women?

General JAMES. It'll be quite a challenge. Because of the new missions we have picked up, we will be challenged. We're going to have to look at the missions that we have been asked to do, as General Blum asked me to take a look at anything past 2001 that we've taken on that as additive mission to do in the Air National Guard without additive manpower. I think it'll be quite a challenge.

I think the way to approach this, Senator, is instead of looking at a bill that was handed to us, we need to look at these missions that the Air Force wants us to do, missions that they want us to continue in, determine what the manpower requirement is going to be for the Air National Guard as a whole, and that should be our end strength target.

I realize that the Air Force has to recapitalize. I realize there's a big bill for that. However, what's going to have to happen to us if we are forced to take these cuts is that we're going to have to start doing less with less.

Senator BEN NELSON. I think that makes a great deal of sense. Thank you.

Thank you very much, Mr. Chairman. Thank you, everyone, for your presentations. I appreciate it.

Senator GRAHAM. Thank you very much.

I'm going to follow up on Senator Nelson's question. I've been told that if the Air Force Reserve is going to do all the things in the Air Guard that's been asked of it, you're going to need more people, not fewer. That's just the honest answer, isn't it, General James?

General JAMES. I've had my folks—my planners, programmers—run three different scenarios, depending on whether we did everything, whether we did X percentage or X percentage. Every time, we've come out with a number higher than 106,800.

Senator GRAHAM. I appreciate your testimony. We have to run and vote. We got the message. I hope we keep this partnership going. It think it's paid dividends for our troops to have a good relationship between Congress and the leadership of the Guard and Reserves. You represent that leadership, and we're proud of you.

To the people who have served overseas and abroad that were identified today, we're very proud of you, and we know you represent the best in our country. God bless. Until next time, be careful. Be safe.

Thank you. We are adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR LINDSEY O. GRAHAM

END STRENGTH FOR THE ARMY RESERVE COMPONENTS

1. Senator GRAHAM. Secretary Hall and General Blum, the President's fiscal year 2007 budget is consistent with the Quadrennial Defense Review's (QDR) recommendation to reduce the Army's Reserve component to 533,000 personnel by fiscal year 2011 from the currently authorized levels of 350,000 in the Army National Guard (ARNG) and 205,000 in the Army Reserve. This is a cut of 22,000 across the Future Years Defense Plan (FYDP) from the levels currently authorized for the ARNG and Army Reserve.

Please explain the rationale behind the QDR's recommendation to reduce the Army Reserve component when we are relying on the ARNG and Army Reserve more than anytime in recent memory and we are asking them to take on more new missions?

Mr. HALL. Prior to the 2005 QDR the Army had developed a plan for 34 combat brigades and 72 support brigades in the ARNG, and 43 combat brigades and 75 support brigades in the Active component. This provided up to 20 combat brigades for steady state operations. The QDR showed a lower requirement for combat brigades but a greater requirement for brigades able to respond more immediately to meet homeland defense/civil support. Therefore, the Army elected to increase the ARNG domestic capability by rebalancing six brigade combat teams (BCTs) and one combat aviation brigade to seven support brigades. These brigades provide engineering, communications, transportation, logistical, chemical, and medical capabilities critical to homeland defense and civil support. Modernization, coupled with the civilianization of nonmilitary essential functions, resulted in a reduction of military manpower requirements, although the total number of brigades remained at 106.

Much has been said about the ARNG being cut, both end strength and units. While it is true that the fiscal year 2007 budget submission reflects an actual number of troops on board, the Army leadership is on record in testimony before the House and Senate that they are committed to funding the Guard to the level to which they can recruit, up to their congressionally authorized end strength of 350,000. For modernization alone, the Army has budgeted approximately $21 billion from 2005 to 2011, a four-fold increase over the level of funding for equipment modernization from the 1999 period. This organization, manning, and funding will permit the ARNG to support the Nation's global operations, prevail in the global war on terror, and conduct expanded State and homeland security missions.

General BLUM. The reduction in ARNG forces was based on the assumption that the United States Army had sufficient land forces to sustain the "Long War."

2. Senator GRAHAM. Secretary Hall and General Blum, how were the recommendations of the QDR coordinated with The Adjutants General (TAGs) and Governors of the States?

Mr. HALL. I will defer to the Chief of the National Guard Bureau. Any QDR coordination would have been provided through the National Guard Bureau.

General BLUM. There was initially no coordination with TAGs or Governors on the QDR recommendations. Prior to the release of the QDR on 30 January 2006, the Secretary of the Army and the Chief of Staff of the Army briefed the 54 Adjutants General of the States, Territories, and the District of Columbia on the recommendation to reduce the ARNG force structure from 34 to 28 BCTs. TAGs of the United States, as a corporate body, nonconcurred with the proposal to reduce force structure. Subsequently, the Army has incorporated TAGs into a Force Structure Steering Committee to work the issue of the 28 BCTs. Currently, the Army plans to keep the end strength of the ARNG at 350,000 and to leave the Force Structure Allowance at 348,000 in fiscal year 2008 working toward 342,000 in fiscal year 2011. This General Officer Steering Committee reports back to the Governors on the status of their deliberations in keeping with the statutory responsibility of the Governor to consent and approve of units being withdrawn or changed from a State.

3. Senator GRAHAM. Secretary Hall and General Blum, given the tremendous effort of the Army Guard and Reserve and the strain on those forces to support combat operations in Afghanistan and Iraq, what assumptions did the QDR make that led to a recommendation to reduce the size of the ARNG and Army Reserve by 22,000 people?

Mr. HALL. Prior to the 2005 QDR, the Army had developed a plan for 34 combat brigades and 72 support brigades in the ARNG and 43 combat brigades and 75 support brigades in the Active component. This provided up to 20 combat brigades for steady state operations. The QDR showed a lower requirement for combat brigades

but a greater requirement for brigades able to respond more immediately to meet homeland defense/civil support. Therefore, the Army elected to increase the ARNG domestic capability by rebalancing six BCTs and one combat aviation brigade to seven support brigades. These brigades provide engineering, communications, transportation, logistical, chemical, and medical capabilities critical to homeland defense and civil support. Modernization, coupled with the civilianization of nonmilitary essential functions, resulted in a reduction of military manpower requirements, not people, while at the same time maintaining the total number of brigades at 106.

The Army will resource the troop strength of all three components to their actual strengths. Resourcing troop levels at their actual strength, combined with force rebalancing efforts, will provide our Nation and its Governors with the necessary resources to accomplish their homeland defense requirements as well as our worldwide operational needs.

General BLUM. The reduction in Reserve component forces was based on the assumption that the United States Army had sufficient land forces to sustain the "Long War."

BUDGET CUTS IMPACTING THE ARMY NATIONAL GUARD

4. Senator GRAHAM. General Blum, in addition to the QDR, the ARNG was also impacted by budget decisions that were made late in 2005. How did budget decisions impact the National Guard force structure, including its personnel end strength levels?

General BLUM. While the President's budget was sent to Congress proposing an ARNG end strength of 332,900, that request was subsequently revised to 350,000. The future structure of the force will be determined through a collaborative process involving the Army, the National Guard Bureau, and the State TAGs.

5. Senator GRAHAM. General Blum, how does the Department of Defense (DOD) intend to address the funding levels for the ARNG and Army Reserve given recent statements by the Army's leadership that end strength levels will be maintained, and that the Army will fund the National Guard and Army Reserve based on its success in recruiting up to their authorized end strengths, and that the Army will fund to fully equip the Guard and Reserve Force structure?

General BLUM. The Army is committed to funding the ARNG up to the 350,000 strength level in fiscal year 2007 and is in the process of identifying sources to meet this commitment. Efforts are ongoing regarding the equipment/investment (procurement) restoral and the total dollar amount depends on the final outcome of force structure adjustments.

END STRENGTH FOR THE AIR NATIONAL GUARD

6. Senator GRAHAM. Secretary Hall and General Blum, following recommendations made in the QDR, the President's budget for fiscal year 2007 begins the process of reducing Air Force manpower by 40,000 full-time equivalents across the Total Force. In order to achieve a cut of 5,000 full-time equivalents from its Reserve components, the Air Force will have to cut over 22,000 Air National Guard (ANG) and Air Force Reserve positions over the FYDP. The cuts are expected to start in fiscal year 2008. These cuts are about 12 percent of the Air Force Reserve component force structure.

How can the Air Force cut so much of its Reserve component force structure given the demands we have seen during operations in Afghanistan and Iraq?

Mr. HALL. The reduction of Air Force manpower is based on the restructuring/reorganizing centered around 86 combat wings. It leverages reachback capabilities and minimizes the forward footprint. The balanced reductions across the force—Active component, ANG, Air Force Reserve, and civilians—are facilitated by modernization and a reduction of aircraft. The Air Force proposal streamlines organizations to a smaller, more agile force and transforms its organizational structures with an increased emphasis on supporting the warfighter. This includes, but is not limited to, completing and aligning the Air Force's Warfighting Headquarters transformation in order to support the combatant commanders (CCDRs) and Joint Task Forces (JTFs). These organizational restructuring actions will result in a more streamlined structure with an enhanced ability to employ air, space, and cyberspace power in support of CCDRs and JTFs. Eliminating redundancies and streamlining organizations will make it possible to field a more capable force of military, civilians, and contractors while freeing up resources for recapitalizion.

General BLUM. The ANG understands the compelling issues behind the Air Force's need to modernize and recapitalize the Total Air Force. Accomplishing this

task in today's budgetary environment, operating efficiencies will have to be found through rebalancing among components, reducing redundancies and inefficient business practices, and maybe targeted end strength reductions.

We also agree the Reserve components are in demand more than ever. In fact, our figures show the ANG commitment has more than tripled since 1991. This level of commitment, combined with the increased demand of the new and emerging mission areas, has forced us to review all of our programs to ensure we continue to provide trained units and qualified persons available to support the Air Force in its mission to deliver sovereign options for the defense of the United States and its global interests—to fly and fight in air, space, and cyberspace. Additionally, we consider it our duty to make sure the Air Force understands our dual responsibility to provide trained and equipped units to protect life and property and to preserve peace, order, and public safety within the State or territory.

General Moseley has asked the Air Reserve components to look internally to locate efficiencies and assist the Air Force in meeting its goal. As we do so, I've instructed the ANG to follow these guiding principles:

Guiding Principles

- Flying mission in every State
- Proportionality—share skill sets
- Retain surge capability with approximately 60 percent part-time, "Traditional"
- Maintain regional capability in support of disaster response
- Priority to dual-use (Federal and State) capability, weigh against "how much capability is enough?"

7. Senator GRAHAM. Secretary Hall and General Blum, will personnel cuts of this size require disestablishment of squadrons and other units?

Mr. HALL. Air Force transformation will allow for a more capable, but smaller Air Force. There will be increases in joint enablers and networked and integrated systems. At this time, there are only a few units that have been identified to be disestablished as the Air Force transforms. Most of the restructuring is taking place within existing units. Many of the units will simply convert to a new structure, an associate unit concept. Associate units merge Active and Reserve component assets into one organization. This allows for superior capabilities, with generally more experienced Reserve component airmen working side-by-side with their Active component counterparts, flying better aircraft armed with improved precision-guided munitions. This allows for a reduction in end strength with a comparatively small corresponding disestablishment of units.

General BLUM. Our analysis of the proposed cuts is not complete. We are still attempting to determine how best we can pay the bill. In other words, will we use manpower, mission divestment, or a combination of both? In every previous round of cuts to the Active component there has been an increase of requirements and commitment required by the Reserve component. Additionally, the capabilities required of the ANG, as well as the Total Force, combined with new and emergent needs in homeland defense/civil support lead us to believe a slightly larger ANG may be required in the future.

8. Senator GRAHAM. Secretary Hall and General Blum, have such reductions been worked out with TAGs and Governors of the States involved?

Mr. HALL. I will defer to the Chief of the National Guard Bureau. since coordination of such reductions with the States would have been accomplished through the National Guard Bureau as the channel of communication between the Air Force and the States.

General BLUM. No, the reductions have not been worked out with the TAGs. As already stated, we are still investigating how best we can pay the bill. The National Guard Bureau informed the TAGs of the contents of PBD 720 during the January 30 TAG meeting and we will continue to keep them involved as we analyze this issue.

9. Senator GRAHAM. Secretary Hall and General Blum, given the growth of missions assigned to the Reserve components, including homeland defense and support of homeland security, as well as growth in non-traditional missions for the Air Force in support of the Army and Marine Corps in civil affairs, ground-based logistics, force protection, and military police, do such large cuts in personnel mean that some missions of the Air Force Reserve components will be reduced or eliminated and if so, which missions and functions are being cut?

Mr. HALL. While working in partnership with the ANG and the Air Force Reserve, the Air Force will become a numerically smaller, yet a more capable force through modernization and recapitalization of selected weapons systems. This effort will enable the Air Force to meet the challenges of a shrinking budget, and an aging aircraft inventory as well as to leverage emerging missions. The goal is to improve operating efficiencies, reduce redundancies and inefficient business practices, as well as target end strength reductions. In order to ensure correct actions are implemented, a comprehensive process that includes collaboration with all stakeholders is underway. The plan for the Total Force integration will guide the decisions made so that implementation can begin. These efforts will be carried out over the next 12 months. At this time, there are only a few units that have been identified to be disestablished. Many of the units will convert to a new structure, an associate unit concept—Active and Reserve component assets merging into one organization. One example is the initiative at Langley Air Force Base where the Virginia Air National Guard's 192nd Fighter Wing will fly the F/A–22 at the same time as the active duty in an associate unit arrangement with the 1st Fighter Wing. In addition, the Reserves will see a growth in emerging missions such as unmanned aerial vehicles. As the Air Force transforms from a Cold War force posture to a structure that supports expeditionary warfare, more efficient use of the ANG and the Air Force Reserve assets will enhance flexibility and the capacity to be a more agile and lethal combat force, and a more vigilant homeland defender.

General BLUM. Our analysis of the proposed cuts is not complete. We are still attempting to determine how best we can pay the bill. In other words, will we use manpower, mission divestment, or a combination of both.

GUARD AND RESERVE ROTATION POLICY AND STRAIN ON THE FORCE

10. Senator GRAHAM. Secretary Hall and General Blum, we are now more than 4 years beyond September 11 and the Guard and Reserve have been on a wartime footing for this entire period. Could you please give me a snapshot of recruiting and retention?

Mr. HALL. Recruiting Results: In a very challenging recruiting environment, the DOD Reserve components' cumulative achievement of recruiting objectives has declined over the past 3 years from 105 percent in fiscal year 2002, to 98 percent in fiscal year 2003, to 96 percent in fiscal year 2004, to 85 percent in fiscal year 2005, with only two of the six DOD Reserve components, the Marine Corps Reserve and the Air Force Reserve, achieving or exceeding their recruiting objectives each year. The most significant shortfalls have been in the ARNG, and most recently in the Army Reserve. In fiscal year 2005, only two components met their goals—the Marine Corps Reserve and the Air Force Reserve. We expected that fiscal year 2006 would continue to be challenging for Reserve recruiting, particularly in the Reserve components of the Army, but many initiatives have been undertaken to mitigate the challenges. As of the end of March 2006, three of the six Reserve components met or exceeded their accession goals and a fourth is within acceptable limits. Both Reserve components of the Army are in this successful group. Some of the Reserve components have not met the Department's goals for high school graduates and mental groups I–III; however, recent efforts appear to have reversed that trend.

Retention: The requirements to support the global war on terror, particularly our commitment in Iraq, have placed a strain on the Reserve Force. Nonetheless, measuring those who reenlist at the completion of their current contract, we find that reenlistments were higher (by more than 2,000) in fiscal year 2005 than they were in fiscal year 2004, up from 95.5 percent of goal in fiscal year 2004 to 100.1 percent of goal in fiscal year 2005. Reenlistments have exhibited a positive trend since fiscal year 2002, and indications are that it will continue through fiscal year 2006. Additionally, we believe the best measure of Reserve component continuation is attrition, and overall attrition rates remain near historically (last 15 years) low levels. Enlisted attrition through February 2006 is generally lower than the same period reported last year and in the base year of fiscal year 2000. We expect that attrition rates will continue at these low levels, including those members who have been mobilized and deployed to support operations in Iraq and Afghanistan.

General BLUM. As I stated in my verbal testimony, I recognize that both the Army and the ANG face recruiting and retention challenges. However, I also believe that with the current incentives in the form of bonuses and additional duty pay that has been authorized by Congress recently, both recruiting and retention have met, will continue to meet, and possibly even exceed, expectations.

11. Senator GRAHAM. Secretary Hall and General Blum, as a percentage, how much of the ARNG and Army Selected Reserve has deployed in support of combat operations in Afghanistan and Iraq?

Mr. HALL. Between September 11, 2001, and February 28, 2006, 29.8 percent of the members who served in the ARNG during that period were deployed to areas that warrant receipt of Imminent Danger Pay and/or the Combat Zone Tax Exclusion benefit. Similarly, during that same time period, 29.6 percent of the members who served in the Selected Reserve of the Army Reserve deployed to those zones that warrant receipt of Imminent Danger Pay and/or the Combat Zone Tax Exclusion benefit.

Today, 8.5 percent of the members serving in the ARNG, and 7.4 percent of the members serving in the Selected Reserve of the Army Reserve, are currently deployed to these regions.

General BLUM. 32 percent of the ARNG and 29 percent of the Army Selected Reserve have been deployed in support of combat operations in Afghanistan and Iraq.

12. Senator GRAHAM. Secretary Hall and General Blum, in terms of a number by component, how many people have deployed?

Mr. HALL. Between September 11, 2001, and February 28, 2006, a total of 361,274 Reserve component members have been deployed outside the continental United States to areas that warrant receipt of Imminent Danger Pay and/or the Combat Zone Tax Exclusion benefit. There are 53,430 Reserve component members who are currently deployed to these regions. The chart below provides the breakout of the deployed Reserve members by component.

	Total Number of Members Ever Deployed (since 9–11–01)	Total Number of Members Currently Deployed (2–28–06)
Army National Guard	156,067	28,568
Army Reserve	91,097	13,778
Navy Reserve	18,102	3,265
Marine Corps Reserve	49,323	3,110
Air National Guard	27,903	2,105
Air Force Reserve	18,782	2,604
Total DOD Reserve Components	361,274	53,430

General BLUM. Since September 2001 approximately 170,000 individual ARNG soldiers and more than 50,000 ANG personnel have been deployed one or more times.

13. Senator GRAHAM. Secretary Hall and General Blum, how is the 24-cumulative-month limit on involuntary recall impacting units and individuals in the Guard and Reserve who have high-demand skills?

Mr. HALL. The Department's implementation of the partial mobilization authority is more restrictive than the law by limiting the period of involuntary mobilization for this contingency to 24 cumulative months rather that the 24 consecutive months authorized by law. This protects individuals with high demand skills, and low density/high demand units, from being overused involuntarily. The 24-cumulative-month policy was carefully crafted to help ensure prudent and judicious use of Reserve component members, thereby supporting the Department's ability to sustain a robust Reserve component force. To address the problem of high demand units and skills, the Services are rebalancing and the Department is using other mitigation strategies such as using joint solutions and in-lieu-of forces to meet operational requirements. The Department's policy protects against repeated, extended periods of involuntary activation which would more than likely have a detrimental effect on the retention of Guard and Reserve members and would probably undermine support from families and employers of Reserve component members.

General BLUM. Yes, the 24-cumulative-month limit does have an impact on both units and individuals who have high-demand skills; however, again, thanks to Congress, there are a number of bonuses and incentives available that encourage volunteers to fill these units, thus ensuring that we are able to continue to meet the mission requirements.

14. Senator GRAHAM. Secretary Hall and General Blum, how are we going to be able to keep up our commitments without breaking the force?

Mr. HALL. Through careful management of the force, the Department and the Services will continue to transform and meet the demands of our combatant commanders. From fiscal year 2004 to fiscal year 2005, the Services rebalanced about 70,000 spaces of structure in low demand into structure that is in high demand. They have plans to rebalance about 55,000 additional spaces from fiscal year 2006 to fiscal year 2011. At the same time, many of our members are volunteering to serve on Active-Duty. Providing more members in these high demand skills and the use of volunteers, helps us meet our commitments while reducing stress on the force. There are a number of other initiatives that seek to enhance our ability to meet our commitments while reducing stress on the force. These initiatives include technology insertions, organizational changes, use of civilians, reachback operations, and other initiatives that will allow for a continuum of service for our Total Force. Taken together, this suite of initiatives, coupled with careful force management practices, should allow us to continue to meet the combatant commanders' requirements in the long war on terrorism while transforming to meet the threats of the future.

General BLUM. We are thankful of the commitment and sacrifices that our men and women in the National Guard and all Reserve components have made to fight the global war on terrorism. We also know that we have to continue to do all we can to compensate our National Guard members with the entitlements and benefits which reflect their level of service. We appreciate the congressional support for all the benefits which have been provided to our National Guard and Reserve members during the last several National Defense Authorization Acts (NDAAs). Now we need to focus on the actual delivery system to provide all these benefits to our members. Some of the benefits such as TRICARE Reserve Select (TRS) and Income Replacement are complex and will require dedicated effort to ensure all eligible members are aware of the new benefits and can participate as they choose.

COMMISSION ON THE NATIONAL GUARD AND RESERVE

15. Senator GRAHAM. Secretary Hall, General Blum, General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, the congressionally chartered Commission on the National Guard and Reserve began hearings this month focusing on a broad range of issues, including the future roles and missions of the Guard and Reserve, rotation policies, training, equipping, compensation, and benefits. The Commission is required to provide Congress with an interim report within 90 days of its first meeting, which will be in June. What issues have you highlighted for the Commission?

Mr. HALL. The overarching issue has been the transition from a strategic reserve to an operational reserve. All aspects of this transition from training, recruiting/retention, equipment, facilities, readiness, and mobilization have been discussed. Limiting mobilization periods to not more than 12 months every 6 years has been highlighted. The more than 120 provisions in law over the past 2 years passed by Congress have improved the Reserve component capability in the global war on terror. Military OneSource and over 700 family support centers have benefited Reserve component members and their families. All aspects of TRICARE for reservists have been discussed.

General BLUM. I have not testified to the Commission.

General VAUGHN. As of today I have not formally highlighted any issues for the Commission.

General JAMES. The ANG fully supports the important work underway by the Commission on the National Guard and Reserve. Our hope is the Commission will focus on such issues as the role of the ANG in homeland defense and civil support, the legislative challenges posed by U.S.C. title 10/32 in today's environment, the future roles and missions of the ANG.

General HELMLY. Today's Army Reserve is no longer a strategic reserve; it is a complementary, operational force undergoing the largest change in its history. The Army Reserve is an integral part of the United States Army, providing combat support and combat service support to the joint force. Major issues for the Army Reserve are: delineating roles and missions for a Federal Reserve Force; recruiting quality soldiers; developing a cyclic rotation plan to provide a sustainable pool of ready units; focusing training on preparing Army Reserve soldiers for Active Service; personnel compensation and benefits; equipment availability and readiness; and reducing support structure to increase readiness of deployable units. These changes are necessary to sustain the Army Reserve's relevancy to the National Defense Strategy.

Admiral COTTON. In a request for a written response to the Commission, Navy Reserve highlighted the following issues:

Recruiting and Retention:

a. Expand the Army Guard pilot program that offers a recruiting referral bonus of $1,000 to all Services.
b. Provide TRS for all reservists performing operational support.
c. Enhance Navy Reserve medical readiness.
d. Improve recruiting and retention incentives by indexing the Montgomery G.I. Bill—Selected Reserve (MGIBSR) to the Active component MGIB rate.

Structural Enhancements:

a. Simplify Selected Reserve orders to two types: Inactive-Duty (for training) and Active-Duty (for work).
b. Allow Reserve component personnel to attain and retain Joint Service Officer qualifications.
c. Apply NDAA for Fiscal Year 2005 rules to enable Reserve component flag officers to serve greater than 179 days on active duty to accommodate global war on terror operational support, Joint Service, and Joint Professional Military Education requirements.
d. Authorize full time support reservists, Active Guard and Reserve, and technicians to perform any mission deemed appropriate by the Service Secretary.
e. Change current Reserve flag officer designator limits to enable more flexibility in meeting operational support requirements.
f. Remove limits on moving funds between budget activity accounts.

General BERGMAN. The Marine Corps has identified several issues for the Commission on the National Guard and Reserve. Our main concern is the policy regarding one mobilization and volunteerism for subsequent mobilizations. The policy has adversely impacted the Marine Corps because it puts the onus for deploying service capabilities on the back of the individual marine and sailor. Family and employers know the marine's second activation is voluntary. Additionally, the policy creates a morale problem in deploying units. An emotional wedge is driven between the marines that volunteer for reactivation and those that do not. Finally, the policy disrupts unit cohesion and limits unit training prior to activation, while earlier activation for training uses cumulative activation time. The Marine Corps recommends changing the policy to authorize involuntary activations for up to the full 24 months, even with prior activation; including recall of the Individual Ready Reserve.

The Assistant Commandant for the Marine Corps testified before the Commission on March 15, 2006. A number of issues were also highlighted that centered on the need to maintain readiness, take care of our marines and their families, and posture the Corps to meet future national security requirements. These include the continuing need for the Selected Reserve Officer Affiliation Bonus to aid recruiting and retention efforts; possible changes in legislation to address the increasingly unsustainable cost of health care; optimizing Active and Reserve capabilities to mitigate unit and personnel operational tempo and support irregular warfare; providing adequate resources to conduct predeployment training and enhanced training in support of irregular warfare; higher than planned equipment utilization rates affecting equipment readiness and availability for predeployment training and employment in theater; and the challenge of resetting our ground and aviation forces which is additive to the ongoing cost of war requirement and requires continued supplemental funding.

General BRADLEY. Formally to this point in time, we have provided inputs only to the Vice Chief of Staff for the Air Force for his testimony before the Commission on March 9 and to the Assistant Secretary of the Air Force for Manpower and Reserve Affairs in developing a paper on the Operational Reserve. I will testify before the Commission in July.

Informally, when the Commission was being formed, my staff provided the Commission's staff with issues for consideration during their review. These included the following:

- Define strategic and operational missions as they apply to the Reserve components.
- Define what percentage of the contributions the Reserve components should provide but consider the needs of each Service as being different.
- Examine the degree to which the Reserve components should train versus provide operational support.
- Examine the Abram's Doctrine and discuss if it is still relevant, should it be updated, should it be scrapped and replaced with a new doctrine.

• Are the current accessibility statutes adequate to meet global war on terror and the new steady state requirements.
• What can be done to improve employer support of the Reserve components.

16. Senator GRAHAM. Secretary Hall, General Blum, General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, what would you want to have the Commission take on as the top priorities in its 90-day interim report?

Mr. HALL. Transformation from a strategic to an operational Reserve in all Service branches is the top priority and with it comes issues in manpower and personnel, materiel and facilities, financial resources, readiness, training, and mobilization. A recommendation from the Commission could be most beneficial.

General BLUM. The National Guard shifted from being primarily a strategic reserve to an operational force. This means that we see more frequent calls to Active-Duty than in decades past and that we provide a much more accessible operational depth than the Total Force. The Commission's views on the all around impact of this shift should be valuable.

Additionally, the heightened domestic security environment since September 11, 2001, and the experience of Hurricane Katrina have all underscored the importance of the National Guard as a force readily available to respond to State Governors. Consequently, it will be helpful to hear the Commission's ideas on ways to improve integration of the National Guard into America's emergency response capabilities, particularly into the joint provision of defense support to civil authorities without degrading our readiness to mobilize and deploy for combat overseas.

General VAUGHN. For the interim report I would want only that the Commission acknowledge the scope and importance of the issues facing the Reserve component and formulate a plan to examine those challenges in detail in their final report.

General JAMES. The most important issues in today's environment are the future roles and missions of the ANG. What is the appropriate full-time/part-time mix, and what is the role in homeland defense and civil support.

General HELMLY. The Army Reserve recommends the following as top priorities.

(1) Expedite the review of the roles and missions of the National Guard versus the Federal forces in the DOD, in order to begin required restructuring as soon as is fiscally prudent. In addition, recommend that as the Army Reserve continues to streamline its command and control structure, it be permitted to reinvest the savings in personnel and other resources back into its operational force to increase readiness.

(2) That the Commission validate the unique capabilities of the Army Reserve in achieving the national security objective of establishing security conditions conducive to a favorable international order through its competencies in civil affairs, medical, engineer, etc. That the Army Reserve functions in a complementary domestic support role and validate their mission and force structure as having a lead DOD role in stability, security, transition, and reconstruction operations (SSTRO).

(3) That the Commission evaluate the cost-effectiveness of expanding the military's funding, recognition, and use of civilian education and certifications to reduce military training time for our soldiers while enhancing capabilities in their military and civilian jobs. Recognition of skills and education acquired through civilian institutions could decrease time required for military training, as well as provide recruiting and retention incentive.

Legislation. Recommend a review of policies such as mobilization for training (MFT), so the Army Reserve has maximum flexibility in methods of bringing soldiers onto active duty, for training. Further that the Commission review past resourcing paradigms (12 monthly drills/14 days annual training) and support increases in annual training days to realize the operational role of the Army Reserve and the current Train-Alert-Deploy processes of today.

(4) Provide congressional support for the Army Force Generation (ARFORGEN) readiness model, in order to provide stability and predictability for soldiers and employers, while improving recruiting and retention. Study service equipment distribution patterns and methodologies, in order to leverage joint and component capabilities, and improve readiness across DOD.

Legislation. Revise policy, so that the Army Reserve is able to mobilize soldiers in high demand/low density (HD/LD) military occupational specialties (MOSs) for a second time for up to 24 months of component chiefs to shift funds among the programs and appropriations to meet year of execu-

tion realities. The Army Reserve has proven to be a very cost-effective force. Funds should be increased to maximize the significant return on investment produced by the Army Reserve in global war on terrorism.

Admiral COTTON. Our top priorities are: expanding the Army pilot program that offers a recruiting referral bonus of $1,000 to all Services, providing TRS for all reservists performing operational support, enhancing Navy Reserve medical readiness, and simplifying Selected Reserve orders to two types: Inactive-Duty (for training) and Active-Duty (for work).

General BERGMAN. All the issues outlined in our response to question 15 are priorities; however, achieving successful outcomes hinge on one overarching priority: adequately resourcing the Marine Corps Reserve to facilitate sustained support to the war on terrorism at an acceptable level of risk.

General BRADLEY. Priorities that warrant your attention:

1) Policies and legislation that enhance, enable, and protect volunteerism to minimize the need for mobilization in order to support steady-state daily operations.

2) A review of the number of duty statuses required to move reservists on and off of Active-Duty status and between Service components.

3) Align force development between Reserve and regular components ensuring equal professional/career development opportunities (one standard for all components).

4) A review, and possible revision, of the definitions for strategic reserve and operational reserve.

PRESIDENTIAL RECALL AUTHORITY

17. Senator GRAHAM. Secretary Hall and General Blum, I understand the DOD is requesting a change in the presidential recall authority—that authority to involuntarily recall the Guard and Selected Reserve to Active-Duty in times other than during war or national emergency. The intent is to expand the time for such a recall from 270 to 365 days. Please explain why this expansion of authority is needed, particularly now when Guard and Reserve Forces can already be involuntarily recalled to Active-Duty because we are in a period of national emergency?

Mr. HALL. The Total Force has changed significantly over the past 2 decades, with the Reserve components becoming integral to conducting military operations. Certain capabilities are appropriately assigned to the Reserve components and there have been a number of operations for which the President has used the Reserve Call-up Authority to meet emerging operational demands. These include operations in Haiti, Bosnia, Kosovo, and Southwest Asia. Although the President declared a national emergency following the terrorist attacks on September 11 and authorized the Department to use the partial mobilization authority for the global war on terror, there will be operations in the future that will not require the declaration of war or a national emergency, but will, nonetheless, require the employment of the Reserve components to support the operation. In assessing the optimal troop rotation under its force generation model, the Army has found that the 270 day limit under the Presidential Reserve Call-up Authority is not sufficient to complete pre-deployment training, a 6-month deployment, and all post-deployment screening and processing. Increasing the maximum Presidential Reserve Call-up Authority to 365 days will provide sufficient time to complete the entire deployment cycle without having to create "work-arounds," which typically are disruptive for reservists, their families, and their civilian employers. This will provide members with greater certainty with respect to operational rotations and periods of Active-Duty, as well as provide sufficient time to build the necessary level of unit cohesion for deploying units.

General BLUM. As I stated in my verbal testimony on 30 March 2006, I support expanding the Presidential Reserve Call-up to 365 days as it allows more flexibility for commanders in all phases of a mobilization.

18. Senator GRAHAM. Secretary Hall and General Blum, I also understand the DOD wants to expand this authority to include the ability to execute such recalls in response to a natural disaster, in addition to the current authority to recall in situations involving a weapons of mass destruction (WMD) attack or a terrorist attack. Please explain the expansion of recall authority the DOD plans to request.

Mr. HALL. The Department is requesting that the Presidential Reserve Call-up Authority be expanded to allow Selected Reserve members of the Army Reserve, Navy Reserve, Marine Corps Reserve, and Air Force Reserve to be called to active duty in response to a natural or manmade disaster, accident, or catastrophe. In most circumstances, the Governor of an affected State will use his or her resources,

including the National Guard, to deal with the aftermath of hurricanes, floods, tornadoes, wildfires, and similar disasters. However, the recent devastating effect of Hurricane Katrina demonstrated that there may be occasions when a Governor may need Federal assistance and makes such a request. Many of the capabilities within the Defense Department that could be useful in responding to these types of catastrophes are in the Army Reserve, Navy Reserve, Marine Corps Reserve, and Air Force Reserve. Such capabilities include search and rescue, water purification units, construction battalions, and others. While reservists may volunteer to assist, there is no assurance that all the personnel in the types of units that may be needed will volunteer. The Department believes it would be prudent to be able to have access to all available forces, including those in the Reserves, if there are capabilities that those forces can provide to assist the Governor in coping with a disaster. This expansion of authority is not intended to replace the National Guard's role in responding to the call of a Governor in anticipation of or in the aftermath of a disaster, but merely compliments National Guard capabilities that may occasionally require augmentation with other DOD assets.

General BLUM. The expansion of recall authority is not intended to replace the Governor's flexibility to incorporate their National Guard's role in responding to the aftermath of a disaster, but merely compliments National Guard capabilities that may occasionally require augmentation with other DOD assets. The Governor of an affected State will use his or her resources, including the National Guard, to deal with most types of catastrophic events. If and when the Governor of the affected State feels internal assets have been overwhelmed by the incident, he or she can then request Federal assistance. This outside assistance may come from capabilities within the Defense Department that could be useful in responding to these types of catastrophes. When these additional resources are called upon, it would be beneficial to the relief effort to have Selected Reserve members be called to Active-Duty in response to natural disasters as well as terrorist attacks involving WMD.

NATIONAL GUARD AND RESERVE SUPPORT TO CIVIL AUTHORITIES

19. Senator GRAHAM. Secretary Hall and General Blum, Hurricanes Katrina and Rita have focused national attention on the Guard and Reserve's role in responding to major national disasters. There has been a lot of talk about putting the National Guard in the lead, whether the Guard ought to be put in Federal status quickly, or whether the Governors ought to continue to take the lead with the Guard in State status. There is an ongoing debate about how to achieve "unity of effort," meaning everyone is working for the same objective, and whether that requires "unity of command," meaning everyone working in the same status for one boss. What do you think we have learned from Hurricane Katrina and Hurricane Rita?

Mr. HALL. The military focuses on achieving maximum operational effectiveness. To do this, they attempt to achieve at least two things: unity of command and unity of effort. The Constitution of the United States was not written to support maximum effectiveness in military operations. The Constitution was written to establish a Federal system of government and that means that, at the beginning of a domestic military mission, the Governors, pursuant to their authorities under the Constitution, will have command and control of their State National Guard forces. The President and the Secretary of Defense, under Article II of the Constitution, will command the Federal forces. So, we begin any domestic mission with a breach in the principle of unity of command. The way in which that breach is addressed in a crisis circumstance is through the Federalization of the Guard, combined with an invocation of the Insurrection Act by the President.

In the case of Hurricane Katrina, we respected the normal constitutional paradigm and insisted upon close coordination among those forces. Throughout the course of the execution of the mission, the Secretary of Defense was in daily contact with General Honore and Admiral Keating to ask how that coordinating relationship was working with the National Guard. General Honore gave repeated assurances that the relationship was working well; that he and General Landreneau had a good relationship, and, although there was not technically unity of command, there was unity of effort.

If that relationship had broken down, the Secretary of Defense would have known about it immediately and an appropriate recommendation could have been made to the President. But, in light of the assurances that that relationship was working, achieving unity of command, one person in charge, stripping the Governor involuntarily of her command and control was not the right course of action.

What we have learned from Hurricanes Katrina and Rita is that the constitutional separation of Federal and State authorities is still valid today and that close

coordination between State and Federal military forces is essential for unity of effort.

General BLUM. Hurricanes Katrina and Rita taught us, first, that unity of effort can be achieved without the formal "unity of command" defined above as everyone working in the same status for the same boss. Unity of effort is best achieved by shared goals and shared operational picture, maximizing the utility of the particular capabilities of each component of the total DOD force, and mitigating each component's restrictions of action and capability through coordination and information sharing among title 10 forces, title 32 forces, and/or State Active-Duty Forces. In catastrophic situations, the nature of the mission should drive a determination of the best command and control, whether parallel or single. For Tier III major disaster events such as Hurricanes Rita and Katrina, when the specific capabilities and legal constraints of both Federal and non-Federal forces must be considered, placing all available forces into a fully-federalized title 10 model would provide less overall response capability, as National Guard Forces formerly under control of the Governor(s) become subject to the same legal constraints as their Active-Duty Federal counterparts.

We learned that without proper coordination within DOD and between other government agencies duplication of effort and lack of information sharing inhibit a swift and fully effective response. We are looking at various command, control, and communications architects that are best suited for the unique challenges of integrating and unifying title 10 and title 32 forces to conduct homeland security missions whether they are in response to a natural disaster or another threat.

20. Senator GRAHAM. Secretary Hall and General Blum, what does this mean for the way the Guard is organized, trained, and equipped?

Mr. HALL. The National Guard has a multifaceted role in Homeland America. As evident by our recent glut of hurricanes in the Gulf Coast, wildfires in the west, and floods in the northeast, the National Guard is a crucial element in a Governor's response to natural disasters. The National Guard will also play a prominent role in supporting local and State authorities in their efforts to manage the consequences of a domestic terrorist attack.

There has been no change in our national strategy to justify the need to establish a separate role for the National Guard under which it only performs homeland security related missions. Thus, there is no need to make major adjustments in how our National Guard is organized, trained, and equipped. What changes are necessary should simply be on the margins. 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 existing homeland security missions. Likewise, the Department does not envision requesting legislative relief for existing Posse Comitatus restrictions on the domestic use of Federal troops.

The National Guard remains an integral part of the Air Force and Army total force mission capability, both overseas and here at home. Their roles are vital to the survival of the Nation.

General BLUM. When you speak of the way the National Guard is organized, trained, and equipped, you are really speaking of a capability and you must remember this capability comes from three things—having people organized in the correct units, having people in those units who are trained, and having the proper equipment in the hands of these trained people. If either the people aren't there or the training is not there or the equipment is not there, the capability is not there. This capability enables National Guard units to support the overseas warfight as well as protecting our citizens at home. In the case of homeland security and homeland defense, National Guard readiness is rooted in the essential capabilities which we strive to maintain in our States and territories. These capabilities are aviation, engineering, civil support teams, security forces, medical forces, transportation, maintenance, logistics, and command and control (which is really coordination and communication as applied to joint interagency efforts in the U.S). National Guard organizations must continue to transform in order to maintain our status as a fully operational Reserve of the Army and Air Force, while at the same time increasing our ability to respond to terrorist attack or natural disaster at home. The Guard has been well-equipped for its overseas missions, but the response to Hurricanes Katrina and Rita revealed serious shortcomings in the equipping of Guard units for homeland security and defense missions. Guard units returning from the overseas warfight retained an average of less than 35 percent of the equipment with which they deployed, leaving them far less capable of meeting training requirements, or more importantly, fulfilling their missions here at home. The majority of this missing equipment represents satellite and tactical communications equipment, medical

equipment, utility helicopters, high-water capable military trucks, and engineer equipment. We must ensure this equipment is identical to that required for wartime use, so that Guard units remain interoperable with their Active component counterparts for both homeland security and defense missions, including investment in an extensive nonlethal weapons capability for use in both domestic and overseas contingencies. Additionally, consideration should be given to Hepatitis B immunization of all Guard personnel, not just those about to deploy to the forward areas.

NATIONAL GUARD SEATS ON THE JOINT CHIEFS OF STAFF AND AT NORTHERN COMMAND

21. Senator GRAHAM. Secretary Hall and General Blum, the National Guard Caucus has endorsed the idea that the National Guard should be represented by a four-star officer assigned as a member of the Joint Chiefs of Staff. In addition, they think a three-star officer from the National Guard should be the Deputy of U.S. Northern Command. What are your views on this topic?

Mr. HALL. Neither the Secretary of Defense nor the Chairman of the Joint Chiefs of Staff has indicated a need to assign a National Guard officer as a member of the Joint Chiefs of Staff. The Chief of the National Guard Bureau has been very effective in interacting with the Secretary of Defense on matters involving the National Guard and, in fact, he accompanied the Secretary to meet with the President to discuss the National Guard response to Hurricane Katrina. Assigning a National Guard officer as a member of the Joint Chiefs of Staff will not guarantee more effective communication with the Chairman or the Secretary.

The Commander, U.S. Northern Command, makes a recommendation to the Chairman of the Joint Chiefs of Staff and the Secretary of Defense regarding the officer who would be best suited to serve as Deputy Commander for Northern Command. After reviewing a slate of potential officers to fill the position of Deputy Commander of U.S. Northern Command and considering the recommendation of the combatant commander and Chairman, the Secretary forwards his recommendation to the President. The President makes the selection and sends his nomination to the Senate for confirmation. If the Secretary determines that a National Guard officer would be best suited to serve as the Deputy Commander of U.S. Northern Command, he will make that recommendation to the President.

General BLUM. It would be inappropriate for me to comment on proposals affecting my position while I am holding it. These proposals may be worthy of examination but several factors should be considered.

First, while the history of the Guard and Reserve is filled with examples in which the Reserve components had to contend with limited resources and participation in Service and Department decisions, the current DOD and Service leadership has frequently stated their dedication to a strong Guard and Reserve.

Second, the Emergency Management Assistance Compact provides States with the capability to rapidly and independently employ National Guard Forces from multiple States in a military response to any emergency. In the joint operational arena, we are working to bridge the gap and strengthen DOD understanding of State and Federal roles and responsibilities regarding the nature and extent of National Guard operations being conducted by the several States. The National Guard Bureau and 5th Army/U.S. Army North are helping Northern Command obtain a greater situational awareness in the future.

MOBILIZATION OF AIR FORCE RESERVE CREWS

22. Senator GRAHAM. General Bradley, last year at this hearing you told me that about two-thirds of the C–130 and C–17 crews in the Air Force Reserve had served a full 24 months of mobilization and were out of the fight unless they volunteered for more Active-Duty service. Please update me on this situation this year.

General BRADLEY. By the end of 2005, about two-thirds of our C–130 and C–17 units had been under mobilization orders for 2 years. Currently 32 percent of the C–17 and 32 percent of the C–130 Air Force Reserve aircrew members have burned out the 24-month mobilization authority. The message I wanted to convey is that most of our C–130 and C–17 units and many of our aircrew members had been under 2 years of mobilization. However, this did not constitute two-thirds of our aircrew members.

While we still have C–130 and C–17 aircrew members who can be mobilized, we will have to rely more and more on volunteers as time passes. The Air Force Reserve C–17 crew member availability has improved since last year with the conversion from the C–141 to C–17 at McGuire AFB, New Jersey, and March Air Reserve

Base, California. Additionally, C–130 and C–17 crew members have been accessed to replace retirees and other losses (many of whom had been mobilized).

23. Senator GRAHAM. General Bradley, how are you meeting requirements for C–130 and C–17 crews?

General BRADLEY. The Air Force Reserve currently has three C–130 units (Niagara Falls, Peterson, and Willow Grove) that were remobilized for 1 year in the fall 2005. Those will start demobilizing late this summer.

Our C–130J and WC–130J squadrons at Keesler AFB have been converting from the C130H and have not yet mobilized. Their possible mobilization has been pushed back due to the after-effects of Hurricane Katrina.

Our C–130 reservists continue to provide valuable support through volunteerism, though few volunteer to deploy to CENTCOM.

No Air Force Reserve C–17 crews are currently mobilized—we're filling all our mission requirements through volunteerism.

The nature of the C–17 and C–130 missions is different. C–17s typically fly missions of relatively short duration, perhaps 1 to 2 weeks, and return to home station (some crews have recently been out for 3 weeks). C–130s fly missions of that duration, too, but extended deployments to the Middle East, Europe, and elsewhere can limit volunteerism. It's much easier for reservists to work shorter missions into their civilian schedules.

24. Senator GRAHAM. General Bradley, what will you do if there is a surge and we need more people than are willing to volunteer?

General BRADLEY. The Air Force works hard to maximize the use of voluntary members for deployments versus implementation of involuntary mobilizations. As you all know, this eases the stress on the member, the member's family, and the member's employer. That being said, should we have to surge and there are less volunteers than requirements, then we will have to conduct an involuntary mobilization. With regard to our C–130 aircrew members, we still have more than 63 percent of our folks with mobilization authority remaining from the President's Partial Mobilization for Operation Enduring Freedom. More than 46 percent of our C–17 aircrew members have some mobilization authority remaining. After September 11, 2001, the men and women of the Air Force Reserve Command (AFRC) were proud to serve and answer our Nation's call. I am confident that should the need arise, our citizen airmen will again step forward.

MARINE CORPS RESERVE AIR ASSETS

25. Senator GRAHAM. General Bergman, I understand that Marine Corps Reserve air assets are being integrated with those of the Active-Duty Marine Corps. If you are providing aircraft to the Active-Duty marines, what does that do to your units, command structure, and readiness in the Marine Corps Reserve?

General BERGMAN. The Marine Corps employs its combat capabilities as a Total Force. As an integral part of that Total Force, the primary mission of Marine Forces Reserve is to augment and reinforce the Active component in time of war and national emergency. To that end, activated Marine Reserve squadrons have seamlessly integrated into Active component Marine Air Ground Task Forces (MAGTFs) in support of Operations Iraqi Freedom and Enduring Freedom since 2001. These Reserve squadrons, alongside their Active component counterparts, have repeatedly demonstrated their combat effectiveness during missions on the battlefields of Iraq and Afghanistan. As a rule, squadrons belonging to the Marine Corps only Reserve air wing, 4th Marine Aircraft Wing, deploy as a unit and maintain their integrity within the assigned MAGTF ACE. In only a few instances have we sent detachments from squadrons to augment MAGTFs.

Our procedures for integrating aviation assets into the MAGTF are the same as the Active-Duty procedures and the impact on our command structure has been negligible. In fact, we find that readiness is enhanced overall due to the integration. Reserve marines have contributed greatly to the MAGTF with knowledge and experience while updating their own knowledge and understanding of new tactics and skills. It is always a win-win experience for both Reserve and Active component marines.

INCREASED RELIANCE ON VOLUNTEERISM

26. Senator GRAHAM. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, in your written statements you in-

dicated that congressional action in eliminating the basic allowance for housing rate difference for orders greater than 30 days addressed a longstanding issue that was a deterrent to volunteerism. That's an important point. We're all interested in proposals that may make a positive difference in retention and in encouraging reservists and guardsmen to volunteer for mobilization. What are your ideas for creating new programs or policies that will increase volunteerism?

General VAUGHN. The ARNG has implemented several initiatives to promote retention and volunteerism for military service, including: Vehicle Voucher Initiative; transferable education benefits to ARNG family members; multiple, variable term reenlistment bonuses through 30 years of service; Health Professional Loan Repayment Program (HPLRP); tuition reimbursement for medical and dental students; tax exemptions for National Guard officers taking part in the Health Professional Loan Repayment (HPLR) program; TRICARE for all ARNG members regardless of duty status; tax-free incentives program; employer recognition incentives for hiring of Reserve component members; and increase of Montgomery GI Bill rates to parity with Active component members.

General JAMES. It is important to note that the ANG has historically been a volunteer force and has always been ready and reliable to respond to our Nation's call. Nonetheless there are some things that bear study. We should examine those benefits or measures that may provide greater predictability of duty for the member, employer, and family. We must ensure that we listen to our Nation's employers because they are a major influence in the availability of those volunteers. Similarly, we must properly resource those organizations, such as the Department of Labor and the Employer Support of the Guard and Reserve, which help maintain a positive relationship between the employer and servicemember. Finally, we must maintain equality of benefits between our Guard and Reserve personnel and their Active-Duty counterparts. It is difficult to ask Reserve component volunteers to bear an increasing burden when some benefits are still not on par with the Active-Duty. The elimination of the basic allowance for housing rate difference was a welcome step in remedying that problem.

We have to be careful though, if we decide that we will rely solely or at least primarily on volunteerism. A key issue is the fact that we are a force of units and not individuals. It is more difficult to fulfill combatant commander needs with individual volunteers when requirements are established for units. Indeed, when members are allowed to volunteer based on individual needs, we find that unit readiness may be affected should members be unavailable when their unit is tasked. Another problem is that the current system of laws and policies is geared toward the use of mobilization, for short-term surge utilization of the Reserve components, vice extended use as an operational reserve. We need to change those laws to make volunteerism more inviting for the individual and functional for mission requirements. As an example, the 2006 NDAA now authorizes compensation to offset a pay differential encountered by mobilized personnel. While that benefit is certainly beneficial to those mobilized, it may actually be a disincentive to volunteerism. Until this paradigm is changed, a wholesale reliance on volunteerism is difficult.

General HELMLY. For the past 2 years, the Army Reserve has relied very heavily on our mid-grade, noncommissioned officers, warrant officers, and officers to continually step forward and volunteer for mobilization. Under the current mobilization authorities and restrictions on involuntary remobilization, we will continue to rely on our leaders lo answer the call. Our leaders at all levels from squad leader to battalion commander are strong, dedicated, warriors. They all volunteered when they entered the Service and continue to serve voluntarily. There is no direct need, by program or policy, to increase that willingness to serve.

Even so, the Army Reserve, and groups associated with the Army Reserve, continue to make strides in addressing issues that influence a soldier's decision to volunteer. Soldiers want to be recognized for answering that call to duty. The Army Reserve makes every effort to ensure each soldier feels appreciated for sacrificing time from their homes and civilian lives. Our Welcome Home Warrior Citizen Award program not only recognizes the soldier, but also recognizes the spouse and invites civilian employers to the ceremony to be recognized. Soldiers do not want to feel "punished," for answering the call. The Army Reserve took steps to remove the mandate that soldiers be in the next higher ranking position in order to be promoted. Soldiers who were mobilized formerly had to wait until they returned home in order to be promoted. In another instance, soldiers asked for unlimited commissary usage as an incentive. The Army Family Action Plan succeeded in that endeavor. We continue to search for new ways to acknowledge our soldiers' answering the call to duty.

Admiral COTTON. One proposal that may encourage volunteerism is to expand the TRS program. The current eligibility is:

Terms	Tier 1	Tier 2	Tier 3
Eligibility	Recalled to active duty in support of contingency operations for >90 consecutive days.	Unemployment compensation recipient or not eligible for employer-sponsored health care.	Selected reservist desiring health care coverage.
Selected Reserve Service Commitment.	Required	Required	Required.
Premium	28 percent	50 percent	85 percent.
Period of Coverage	1 year for every 90 days served.	Only while meeting eligibility criteria.	Only while meeting eligibility criteria.

The Tier 1 requirement for 90 consecutive days in support of contingency operations does not recognize the service of thousands of other reservists who provide operational support daily. Reservists are supporting the global war on terror in numerous places beyond just those designated as contingency operations.

A significant percentage of reservists perform more than 90 days of nonconsecutive operational support in a year. Changing the 90 consecutive day requirement in contingency operations to 90 cumulative days per year in contingency operations or operational support would more fairly recognize all contributions to the global war on terror and lower attrition.

Additionally, if the Selected Reservist is removed from a pay billet, the TRS coverage is terminated. By modifying the requirement to permit a Selected Reservist who is removed by the Service from a pay billet and transferred to the Individual Ready Reserve, through no fault of his or her own, to retain TRS coverage is a more fair and equitable way to recognize service.

General BERGMAN. The steps Congress has taken over the past few years to transition to an operational Reserve are greatly appreciated. Of note, is the NDAA for 2005 which removed the 180-day barrier to participation by exempting cumulative periods of Active-Duty not exceeding 3 years in a 4-year period and allowed 2,500 marines to serve on full-time operational support. Subsequently, the NDAA for Fiscal Year 2006 increased this number to 3,000. Additional changes to health care and education benefits have eased the transition to and from Active-Duty, while making operational support more attractive to our Reserve marines.

The Marine Corps considers all members of the Selected Reserve as volunteers for activation by virtue of their agreement to serve in either an SMCR unit or IMA billet. Since the declaration of a Partial Mobilization (EO 12223 of 14 Sep 01), the Marine Corps planning guidance called for a 12-month activation period with a 7-month deployment followed by deactivation, a period of dwell time, and if required, a second subsequent 12-month activation. The only exception in the Marine Corps was the need to activate aviation units for 2-year increments. This plan was designed to enhance the Marine Corps' warfighting capabilities through maximum integration with the Active component 7-month rotation schedule while additionally focusing on minimizing Reserve attrition and increasing retention. The policy regarding one mobilization and volunteerism for subsequent mobilizations has adversely impacted the Marine Corps ability to meet the demand of current operations.

General BRADLEY. The new threshold for the basic allowance for housing is one of several legislative enhancements that helps encourage volunteerism. Certainly, TRS and the Reserve Education Assistance Program are also programs that will help our volunteerism rates, and we appreciate the emphasis Congress has placed in providing these benefits.

The members of the Air Force Reserve have raised their hand time and again to meet the Total Force requirements of the global war on terror. The expectation of our activated members is they should be entitled to the same benefits as their Active-Duty counterparts while serving on their respective orders. More importantly, I believe we need to ensure entitlements are applied the same whether a member is supporting the global war on terror involuntarily on mobilization orders or on voluntary orders.

JUNIOR OFFICERS IN THE RESERVE AND GUARD

27. Senator GRAHAM. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, you raise the problem of filling company grade or junior officer billets in your written statement. Because all the Reserve component forces rely so heavily on prior Active-Duty personnel to fill billets, I would expect that all of you would have challenges recruiting sufficient num-

bers of qualified second and first lieutenants, ensigns, and lieutenants (junior grade). What are the shortfalls you have in the company grade officer ranks and the steps you are taking to address this problem?

General VAUGHN. The ARNG has proposed several initiatives to address the shortfall in company grade officer ranks, including: Vehicle Voucher Initiative for American Automotive Industry (provides direct vehicle voucher instead of a cash bonus. Our studies have found much more positive impact in the vehicle voucher over the traditional cash bonus); Transferable Education Benefits to ARNG family members (allows immediate family members to use any unused SM educational benefits up to the maximum of the eligible amount); Multiple, variable term reenlistment bonuses through 30 years of service (allows a career bonus plan to be developed that would increase retention rates beyond the traditional 20 years of service); HPLRP (expansion of the Reserve component HPLRP to address the immediate crisis in ARNG medical positions); Tuition Reimbursement for Medical and Dental Students (allows medical and dental students to receive tuition assistance while in school prior to accession); Tax Exemptions for National Guard officers receiving HPLRP payments with an extended military service obligation possible today; a version of TRICARE that covers the servicemembers and family is critical to our ability to meet our end strength; Tax-free incentives program (provides increased incentive power to potential enlistees by allowing them to receive a true bonus of the amount for which they enlisted); Employer Recognition Incentives for hiring of Reserve component members (program to reward employers who agree to hire a Reserve component member, incentives range from $1,000 per year to tax incentives); Increase of Montgomery GI Bill rates to parity with Active component members (raises the payment rates to 60 percent of the Active component rates to provide fairness to these soldiers); and TRICARE for all ARNG members regardless of duty status.

General JAMES. Internal issues affect the ANG's ability to accept Reserve Officer Training Corps (ROTC) transfers. We would need the Air Force to waive the ROTC graduates' 1-year commitment in the Air Force, as well as waive the initial skills training. Bottom line, we would want them to have the ability to go right from ROTC graduation to the Reserve component.

General HELMLY. If we only compare the number of assigned lieutenants to the number of lieutenant positions, the Army Reserve is currently healthy. When we expand the scope to include the grade of O–3/Captain, there is a dramatic difference. This shortage of junior officers is not a recent phenomenon. The Army Reserve has been faced with this issue for at least the last 7 years.

The Army Reserve, like many of its sister Services, regularly assigns officers of a grade to a position rated at the next higher level. Traditionally, almost half of the assigned lieutenants are filling positions rated higher then their current rank. From this perspective, the Army Reserve has 18,000 lieutenant and captain positions. The number of assigned lieutenants and captains is 13,117 for a shortage of over 4,800 junior officers. This is further exacerbated by the number of captains who are assigned to O–4 positions due to the growing shortage of majors. The Army Reserve continues to be proactive in developing incentives and other sources of junior grade officers, to include advertising and encouraging the direct commission process. This fiscal year, the Army Reserve has increased its commissioned officer accession bonus from $6,000 to $10,000. An affiliation bonus of $10,000 is awarded to an officer upon transition from the Active component to the Selected Reserve. The Army Reserve is turning to the U.S. Army Recruiting Command to increase its mission to recruit officers through a direct appointment program and recruit candidates for the Army's Officer Candidate School (OCS). Additionally, the Army Reserve's Retention and Transition Division is focused on recruitment of enlisted soldiers to accept a commission either through direct appointment or OCS. The Army Reserve supports any legislation that would provide a 4-year scholarship option for cadets in the ROTC. This scholarship is currently limited to 2 years and does not provide an incentive for college students to consider service in the Army Reserve. Fully funding our officers to attend their initial training, their Officer Basic Course (OBC), also affects our junior officer strength. The Army Reserve lost a number of junior officers in 2004–2005 because they were not able to get a seat in their course. There were not enough school seats procured during that time to facilitate every lieutenant receiving a school quota. Further, the lieutenants were not intensively managed, as they are today. Thus, many ran out of available time in which to complete this mandatory school. Officers must complete their OBC prior to advancement to first lieutenant. Without the school, they are considered a two-time non-select for promotion and discharged. The Army Reserve assumed command of these new officers and their initial development. Under the new management system, cadets receive notification of school dates prior to their commissioning. Additionally, they are intensively man-

aged to ensure they arrive, and graduate from, their initial military training as an officer.

Army Reserve manning and structure is dependant on a viable Active component to Reserve component accession program. Officers migrating from the Active component to the Reserve component, provide a valuable source of experience and leadership. That mission (Active component to Reserve component) is currently under performing and should be invigorated. Officers from the Active component are looking for stability. The Army Reserve has offered them 24 months stability—no mobilization—dependent upon their previous deployment history.

Since 2002 the Active component to Reserve component transfers has decreased at the same time the Reserve component to Active component transfers has significantly increased. This trend benefits the overall Army, but exaggerates the Army Reserve challenge to maintain our required leadership strength. The commission should support policies that reduce barriers for Active component to Reserve component assessions. Due in part to increased Active component retention goals and fewer eligible soldiers coming off Active Duty, the Army Reserve requests commission support to increase visibility and commitment to this important personnel mission.

The Army Reserve is heartily embracing the new Officer Professional Management System (OPMS) management program, with members of our staff serving on the working group and being an active voice for the Army Reserve. This reinvigoration of the officer management program moves officers away from being specialists, towards more generalists. This grows the desired end state of the officer being more of a "pentathlete," being able to perform many different functions, as opposed to just one area of concentration. We support the recommendation in OPMS to offer "Below the Zone" promotions for Army Reserve officers.

Continued focus on incentives and scholarships coupled with programs and incentives to retain qualified officers beyond their mandatory service obligation (MSO) will be necessary to correct the shortages of junior officers that Army Reserve is currently experiencing.

Admiral COTTON. The Navy Reserve currently has critical shortfalls across the Special Warfare (SEAL), Special Operations (EOD), General Aviation, Engineering Duty Officer, Information Professional, and Medical Corps designators. In order to address those shortfalls, the Navy Reserve has fully leveraged the new NDAA for Fiscal Year 2006 incentive authorities by increasing the Selected Reserve Officer Affiliation bonus from $6,000 to $10,000. The Navy has enhanced Navy Veteran recruiting efforts to better inform Active component officers, transitioning off Active Duty, on Navy Reserve affiliation opportunities. These initiatives include release of the Selected Reserve bonus NAVADMIN, providing contact information on Leave and Earning Statements, and both CNO and Chief of Navy Reserve video messages to the fleet.

General BERGMAN. The Marine Corps is developing systematic long-term programming and management solutions to improve company grade officer manning levels in the Reserve component. Programs that can be enhanced/implemented as early as fiscal year 2007 include the following: (1) extending eligibility for our Reserve Enlisted Commissioning Program (RECP) to Active component enlisted marines, (2) direct accession of officer candidates' to the Reserve component, (3) meritorious commissioning program for marines with an Associates degree or equivalent, (4) National Call to Service—Enlisted Commissioning Option (NCS–ECO), (5) capitalizing on Reduction in Force (RIF) initiatives through the interservice transfer program, (6) use of the Selected Reserve Officer Affiliation Bonus, and (7) encouraging affiliation by deferring mobilization (operational time-out) for Active component officers transitioning to the Selected Reserve.

General BRADLEY. Actually, the Air Force Reserve has done well in accessing officers. We have limited numbers of company grade officer positions throughout the Selected Reserve, and we have not had any significant difficulties in meeting our officer requirements through both prior service and non-prior service avenues. Our only exception is a few health professions specialties, and we focus a great deal of our recruiters' attention in this area. Overall, during the past 5 years, our officer manning has ranged from a low of 98.7 percent to a high of 104.4 percent. Officer accessions represent about 16 percent of our annual recruiting requirements, and we are currently achieving our goal for fiscal year 2006. In the out years, especially following the Active-Duty Air Force drawdown, we anticipate a more challenging recruiting environment, with fewer qualified separatees from which to draw.

28. Senator GRAHAM. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, do you think that additional flexi-

bility is needed in the manner in which the ROTC, or even Service Academy graduates, may fulfill their military service obligations?

General VAUGHN. There is no need to change the way officers commissioned through ROTC are required to fulfill their obligation. The methods of fulfilling their obligations are clear for both scholarship and nonscholarship graduates. The Army recently made a change to the fulfillment requirement which was designed to increase the participation rate of ROTC graduates in the Selected Reserve following the completion of their Active-Duty service obligation. The ARNG does not see a need to change.

General JAMES. Yes, flexibility would benefit the appointment of ROTC graduates into the Reserve component. As mentioned in question for the record number 27 above, by waiving the 1-year commitment and the initial skills training requirement, ROTC graduates would be able to easily be streamlined into the Reserve component.

General HELMLY. The manner in which officers (from any commissioning source) fulfill their obligation requires more accountability, not flexibility. Emphasis is needed on how officers ROTC, USMA, Officer Direct Commission, and Officer Candidate Schools fulfill their MSO. Current contracts state than an officer agrees to complete his MSO (after his Active-Duty obligation is met) in the Ready Reserve. The Ready Reserve consists of the Selected Reserve and the Individual Ready Reserve. Though technically obligated officers can serve their remaining time in the Individual Ready Reserve, it should strongly be discouraged, especially at the transition station. We are a nation at war. As such, we should exercise every available option to ensure we provide trained units and qualified soldiers. This is an available, trained pool of personnel who have an immediate impact on the readiness of a unit. Officers should not be allowed to meet their MSO through duty as a member of the Individual Ready Reserve. The key is enforcing the contract we have established and encouraging officers to serve their remaining time in the Selected Reserve. The commission should support measures that prevent obligated officers from transferring to the Individual Ready Reserve.

We must mentor our officers to serve in the Active component or the Selected Reserve. We must promote Continuum of Service within the Army. This will enable the Army components to fully man the force, meet end strength, and even provide some predictability.

Admiral COTTON. Generally, the Navy's Reserve component tends to be a senior and more experienced partner in the Total Force. Most of our sailors have served in the Active component and made a decision to transition to the Reserve component. The Navy Reserve is open to innovative detailing of newly commissioned officers if it supports the mission, the needs of the Navy, and allows for a viable career path in either component for the individual. An example is the 38 newly winged aviators who will be directly detailed to one of the Navy Reserve's 15 Fleet Logistics Support Squadrons (VR). After 2 years, the officer will be allowed to apply for an Active-Duty assignment, a Full Time Support assignment, or accept a pay billet as a Selected reservist. We are working to build a Continuum of Service that provides "on-ramps" and "off-ramps" between the Active component, Reserve component, and civilian careers.

General BERGMAN. The Marine Corps does not see a need at this time to add additional flexibility in which the ROTC, or Service Academy graduates, fulfill their military service obligations pending implementation, study, and review of the before mentioned steps to address the shortfalls in our company grade officer ranks.

General BRADLEY. On the surface, this would appear to be an Active-Duty issue, since the intent of the Service Academies and the ROTC is to provide officers for Active-Duty service. We already access officers from these sources in the rare cases when they are overage to Active-Duty requirements. From our perspective, the current system ensures the Reserve component has the needed visibility to interact with officers leaving Active-Duty service with remaining military service obligations. Our in-service recruiters work diligently to access these experienced officers into the Selected Reserve. I believe ongoing Continuum of Service initiatives can offer additional flexibility for these officers in fulfilling their obligation. Ensuring barriers to this continuum are reduced to the maximum extent possible is the key to success in this endeavor. Also, it is important to note that while the Active-Duty Air Force is going through its force shaping initiatives, especially with junior officers, any additional leverage we have in guiding qualified individuals towards the Reserve component for continued participation in the Service is an obvious benefit for the Total Force.

As I have indicated in the other question for the record concerning company grade officer recruiting, we have limited numbers of junior officer positions. One of our main methods of filling these positions is through our Deserving Airmen Program,

in which our best enlisted personnel who qualify for a commission can become officers. This program, coupled with our excellent recruiting rate, results in our maintaining a healthy company grade officer posture.

SELECTED RESERVE MONTGOMERY GI BILL

29. Senator GRAHAM. Secretary Hall, the Selected Reserve Montgomery GI Bill (MGIB) under chapter 1606 of title 10, U.S.C., pays a monthly stipend that presently is only about 20 percent of the MGIB. The amount of the benefit is indexed to the consumer price index and has not risen significantly in recent years. Do you think that this benefit is still adequate?

Mr. HALL. The gap between the benefit levels of the Montgomery GI Bill-Selected Reserve (MGIB–SR) and the Active-Duty MGIB has increased over time. Historically, the Reserve benefit was approximately 48 percent of the Active-Duty benefit level. The current Reserve benefit of $297 for a full-time student is 28 percent of the current benefit level of $1,034 for a full-time student under the Active-Duty MGIB program. This widening gap represents an erosion in the education purchasing power of the Reserve benefit. More important, the benefit level for the Reserve program has not kept pace with the rising cost of education which diminishes the effectiveness of the program in recruiting and retaining reservists.

30. Senator GRAHAM. Secretary Hall, what are the cost implications of increasing this benefit for the Services and do you think that's necessary?

Mr. HALL. Today, over 366,000 Selected Reserve members are eligible for benefits under this program with approximately 30 percent currently using the benefit. The DOD actuaries have estimated that increasing the Reserve benefit to 50 percent of the Active-Duty benefit level would increase defense outlays by approximately $5 billion through 2013, and would increase program participation by 28 percent. The MGIB–SR has proven to be an extremely valuable recruiting tool and a highly effective retention tool for the Services, but the increase in benefit level has not kept pace with the rising cost of education, thus the relative value of the benefit has eroded since the inception of the program.

EFFECTS OF THE BASE REALIGNMENT AND CLOSURE ON RESERVE AND GUARD MANNING AND READINESS

31. Senator GRAHAM. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, the decisions of the Base Realignment and Closure (BRAC) Commission helped you in some ways in achieving greater efficiencies and shedding unnecessary infrastructure. But these decisions have also presented enormous challenges for you in how to preserve the talents and experience of reservists and guardsmen whose missions have moved long distances and who may no longer be able to actively participate. Would you each summarize the challenges—from a manning and readiness perspective—that you and your personnel face in implementing the BRAC decisions?

General VAUGHN. The BRAC process has not presented any overly daunting challenges to the ARNG. The realignment of armories and Reserve centers in some States will need to be worked in a collaborative way with TAGs of the States affected, but this will not pose an insurmountable issue for us.

General JAMES. There are four areas of challenges facing the ANG as a result of BRAC implementation dealing with the manning and readiness perspective. First is the training piece. BRAC's funding will only pay for half the training requirements from the fallout of BRAC. The training pipeline cannot handle the throughput required by BRAC. Another example is BRAC directed Predator unit's training is being taken out of hide because Predator is a nonexistent program. Second is that ANG does not PCS our personnel. Certain new missions are requiring higher security requirements or higher ASVAB scores meaning that some remaining personnel will not be able to retrain into the new mission. Third is our concern that units might lose their readiness C-rating since personnel are leaving due to no identified follow-on mission (i.e. enclaves) and some units retain their mission until fiscal year 2010 or fiscal year 2011. ANG recruiters are finding it very difficult to recruit to positions that are due to be taken off the books in a couple of years. Forth is that ANG members must be involuntarily separated under current policies due to deactivation of a unit. Current Air Force policy dictates that members must be discharged if the unit is deactivated and another vacancy does not exist in which the member can be assigned or reclassified. Retraining opportunities will be nonexistent in some cases. A large amount of guardsmen are retirement eligible, yet continue to serve.

Premature retirements and involuntary separations will strip the ANG of years of experience that cannot be easily replaced.

General HELMLY. One of our biggest challenges is the process of keeping our soldiers informed. It has a direct effect on retention. Information on BRAC decisions, implementation plans, funding for those plans, and how it will affect soldiers is a factor many judge when looking to decide on reenlistment and continued service in the Selected Reserve. Soldiers need reassurance that there is a place for them and that movement into another unit and/or location will not damage career path choices or incentives received.

Readiness may be affected if each command is not fully engaged. Each command must support Continuum of Service within all three Army components. This is done by keeping information lines open and mentoring our soldiers to select the best options for their career progression, even if it means the Army Reserve loses a soldier to the Active Army or ARNG. The bottom line is they remain an asset in the total Army end strength.

The Army Reserve has engaged in the BRAC process. Further, emphasis is placed on sharing information about BRAC implementation throughout all levels of our organization. The BRAC Commission should support full funding for BRAC so Reserve soldiers and their families know that BRAC actions will improve their quality of training and quality of life. Otherwise, there may be an adverse impact on retention.

Admiral COTTON. The Navy did a comprehensive study in preparation for BRAC 2005 to identify excess capacity and how to geographically disburse our Navy Operational Support Centers (NOSC), formerly titled as Naval Reserve Centers, to best utilize our people and provide support to the fleet. The recommendations that have been accepted by the BRAC Commission are the most efficient use of remaining facilities and will allow us to maintain our commitment to have a Navy presence in every State.

BRAC 2005 also afforded DOD enhanced joint opportunities through consolidation with other Services in Joint Operational Support Centers and Armed Forces Reserve Centers.

As expected, some selected reservists may find it more difficult to remain in an active drill status because their NOSC has closed and their units have moved to another location. In order to relieve this burden and preserve critical skill sets, the Navy is expanding travel compensation options. The Inactive Duty Training Travel (IDTT) PRIMAN program pays travel to certain individuals with critical skill sets who are geographically displaced from their units to quarterly travel to their drill location. Congress also granted DOD the authority to increase the High Priority Unit (HPU) pay for IDT drills in NDAA for Fiscal Year 2006. At present, we have piloted a program that pays $10 per IDT HPU drill. We plan to increase this amount to $25 and significantly increase the number of sailors eligible for this special pay.

General BERGMAN. The Marine Corps Reserve has 25 BRAC actions affecting Reserve centers, air stations, and the headquarters of Marine Forces Reserve (MARFORRES). The decision to move/consolidate Reserve centers was made with input from Marine Corps Recruiting Command's estimate of supportability to recruit to the new location. The movement of Mobilization Command involves relocating Active-Duty and civilian personnel from Kansas City to New Orleans. MARFORRES remains in New Orleans. There is virtually no impact to Reserve Forces for this move. In three cases—Moundsville, Reading, and Rome—the units are relocating closer to where the marines live. All other Reserve center moves occur within 50 miles of the existing location. There will be very little impact to the Reserve units from these moves and readiness will not be affected. Marines who travel 50 miles from home to drill are provided billeting for the drill weekend and that policy will continue. We do not anticipate a reduction in readiness from these moves.

General BRADLEY. We, in the Air Force Reserve, are deeply concerned with maximizing actions that benefit our people and mission. To that end, we established a BRAC working group as soon as the initial realignment and closure listing was published. Our group is working closely with those identified organizations, both losing and gaining, on any foreseeable issues in an effort to minimize the impact to mission and personnel readiness. Two initiatives that have been implemented are our "Personnel SATAF Teams" and our "Reserve Transition Clearinghouse Program." Both of these initiatives are focused on helping our military members. The SATAF teams are mobile teams that visit those installations identified for realignment/closure to help answer our members concerns. The Clearinghouse program is a web-based system that enables military and civilian personnel affected by BRAC to volunteer for other positions within AFRC. We make every effort to marriage the request with the vacancy. Both of these programs have become highly successful in

our endeavor to facilitate the transition and to minimize any impact on our most valued resource—our Air Force personnel.

PAY SYSTEMS

32. Senator GRAHAM. Secretary Hall, while progress has been made through the dedicated efforts of many Guard and Reserve members, we continue to hear complaints about pay problems—particularly from soldiers in the ARNG. What steps are you taking and what needs to be done to ensure that the incidence of non-payment, overpayment, and counter-productive methods for responding to pay problems are used?

Mr. HALL. The Department is committed to ensuring that all servicemembers are paid accurately and in a timely manner. The long-term solution to pay problems associated with the mobilization of Reserve and Guard members is a fully integrated pay and personnel system that ensures changes in a servicemember's status which impact pay simultaneously update personnel accountability and pay records. The Department is developing the Defense Integrated Military Human Resources System (DIMHRS) which will provide that capability. In the meantime, the Army has worked closely with the Defense Finance and Accounting Service (DFAS) to significantly reduce the incidence of pay problems caused by inaccurate documentation of mobilization start and stop dates. Monthly audits indicate a 99 percent accuracy rate since August 2005 and an average overpayment of $140 per incident, compared with $350 per incident in July 2003. While these statistics are encouraging, we must do better. Additional resources are being marshaled to complete the necessary tasks.

One example of positive actions being taken is the ARNG Pay Ombudsman program with a toll-free call center that provides answers and assistance if the pay problems cannot be resolved in a timely manner through normal pay systems. In addition, the Army and DFAS have partnered to develop a database that draws from multiple medical systems and personnel and pay systems to provide a workable solution for providing accurate pay to personnel who become injured or ill while serving in a combat zone. These and other short-term actions are being taken while we move toward longer-term strategic improvements.

33. Senator GRAHAM. General Blum, while progress has been made through the dedicated efforts of many Guard and Reserve members, we continue to hear complaints about pay problems—particularly from soldiers in the ARNG. What is your assessment of this situation and in your interaction with the DFAS and with the State TAGs—do you see recurrent themes that need to be addressed legislatively?

General BLUM. We have made tremendous efforts to eliminate soldiers' pay issues. Most pay problems are system issues that could be resolved by the next generation pay/personnel system. The ARNG is working closely with the Army and DFAS in the development of the DIMHRS. The deployment of DIMHRS should significantly reduce the instances of pay-related problems for our soldiers. Currently, our efforts are focused on preventing pay problems and correcting any pay problem immediately after it is identified. The ARNG has established an Ombudsman Program to aggressively resolve outstanding pay problems and develop solutions to prevent future occurrences. Our improvement efforts are ongoing and we continue to improve everything we do every day. We are aware that pay problems still occur and we are working diligently to ensure ARNG soldiers are paid timely and accurately.

NAVY RESERVE AND RECRUITING

34. Senator GRAHAM. Admiral Cotton, the Navy Reserve problems with recruiting are troubling—and seemingly chronic. It's difficult to discern, however, whether shortfalls in recruiting are helping—or hurting—the Navy in other areas, such as recapitalization. What is the impact on readiness and on the future of the Navy Reserve of the present day recruiting shortfalls?

Admiral COTTON. Although Navy Recruiting Command's performance has not met our aggregate goals for the last several years, the impact of that under-achievement of goals has been principally offset by our planned decrease in Navy Reserve strength as a result of the Zero Based Review. The Navy Reserve is now at the end strength we requested for fiscal year 2007. In general, no significant force-wide readiness problems exist across the Reserve Force, but there are shortfalls in critical high demand/low density communities, such as Medical, Construction Battalions, Intelligence, and Force Protection. The Navy Manpower, Personnel, and Training Enterprise has aggressively examined these strength challenges and has already exe-

cuted numerous mitigating actions and decisions to improve Navy Reserve recruiting performance and ensure continued capability to fulfill global war on terror requirements. These actions include:

(1) Evaluating current stress on the force and ensuring the best distribution of global war on terror requirements between the Active and Reserve component.
(2) Aggressively pursuing and executing robust, targeted enlistment bonuses, keyed to influence and stimulate an improvement in accessions to critical Reserve component global war on terror ratings.
(3) Targeted Retention Bonuses to critical skill ratings.
(4) Modified our Reserve mobilization procedure to defer mobilization for up to 1 year for selected Navy Veterans affiliating with the Reserve component within 6 months of transition from the Active component. We anticipate that a "break" in personal tempo of operations will entice potential Navy veterans who are considering active participation in the Navy Reserve.
(6) Attacked first year attrition of non-prior service Reserve sailors by closing the Navy Reserve Accession Course in favor of having all sailors (Active component and Reserve component) attend full boot camp and receive primary specialty training immediately.
(7) Taking advantage of a congressionally directed National Call To Service program, Navy maximized our accessions (well ahead of the other Services) with specific targeting of global war on terror critical skills with planned and guaranteed addition to Reserve strength.
(8) Navy Recruiting Command continues to improve and refine the alignment of Active and Reserve recruiting efforts initiated in 2003 and completed in 2004.

35. Senator GRAHAM. Admiral Cotton, both the Active-Duty Navy and the Navy Reserve are experiencing severe shortages in medical personnel. What is your understanding of the plan of action to correct this?

Admiral COTTON. The Navy is executing a Total Force plan to correct medical personnel shortages through a coordinated effort by Chief of Navy Personnel, the Surgeon General, Commander Navy Recruiting Command, and the Chief of Navy Reserve. We have recently reemphasized recruiting those critical medical specialties through expanded bonus programs, education loan relief programs, and medical specialty pays. The Navy is identifying the challenges and adjusting compensation packages to increase recruiting and retention in these critical areas. Additionally, Navy has just implemented a mobilization deferment process whereby an Active component officer transitioning to the Reserve component may qualify for deferment from mobilization for up to 1 year. This initiative is aimed at those separating Active component officers who have recently deployed and may opt to not immediately transition to the Reserve component for fear of immediate deployments. Finally, the Navy is considering an option for medical professionals that would permit shorter, predictable, and periodic mobilization periods to limit "time away from practice," a common reason for both medical attrition and shortages in accession.

NAVY RESERVE INTEGRATION WITH THE ACTIVE NAVY

36. Senator GRAHAM. Admiral Cotton, the Navy has been aggressively pursuing a strategy of Active-Reserve Integration (ARI) to reshape and realign the Navy Reserve Force structure with the Active Navy. While closer coordination between the Navy Reserve and Active Navy has many benefits, some have voiced concern that the Navy Reserve is losing hardware to the Active Navy because of budget pressures.

What are the major achievements of ARI in the Navy and how do you answer concerns that the Navy Reserve is losing its hardware, particularly aviation assets, to fill shortages in the Active Navy?

Admiral COTTON. ARI, at the strategic level, is about aligning Active component, and Reserve component units, personnel and equipment into a single, integrated fighting force. ARI optimizes combat readiness, training, and warfighting wholeness across the Total Navy.

As an example, the Navy's maritime patrol community is facing extreme shortages of aircraft to conduct its wide range of missions due to airframe fatigue life issues. As a part of ARI, three Reserve VP squadrons have been transformed into Fleet Response Units. I integrated into the Active component numbered wings and provided access to the latest equipment and training. ARI integrated the Reserve component capabilities into the Navy's maritime patrol operational concept.

To date there are over 105 Reserve component operational and training units that are fully integrated and providing both frontline and logistical support to the fleet

both in homeland defense/security and the global war on terrorism. In most cases, such as Naval Coastal Warfare and Naval Construction Force Seabee units, these commands are totally integrated from the bottom up.

Some claim that ARI has arbitrarily reduced the number of Reserve squadrons and limited the number and type of opportunities for reservists. We disagree. ARI provides each reservist access to the latest equipment, common training and tactics, and operational experience.

37. Senator GRAHAM. Admiral Cotton, when Navy Reserve commands and organizations have been moved in order to achieve better alignment with the Active Force, what has been the reaction by affected Navy Reserve members?

Admiral COTTON. Reserve component commands have been moved to achieve operational, administrative, and training alignment with the Active component forces. The reaction by Reserve component sailors has been overwhelmingly positive. They fully understand that a more integrated Active component and Reserve component serves the Total Navy, Joint Force, and combatant commanders more effectively, and better positions the Reserve component to provide meaningful and predictable operational support to the fleet.

NAVY RESERVE CONTRIBUTIONS TO NON-TRADITIONAL MISSIONS

38. Senator GRAHAM. Admiral Cotton, I understand the Navy Reserve has been asked to take on a number of nontraditional missions to help out the Army and Marine Corps in support of Operation Iraqi Freedom and Operation Enduring Freedom. What is the Navy Reserve being asked to do?

Admiral COTTON. Active and Reserve components of the Navy have been tasked to contribute to global war on terror in many nontraditional mission areas, such as customs inspections, provincial reconstruction, civil affairs, military police, and prisoner detainee guards. The Navy Reserve has met this tasking with outstanding success. In many cases these new missions are comprised exclusively of volunteers from many communities brought together and fully trained prior to deployment.

39. Senator GRAHAM. Admiral Cotton, will these new missions be a continuing role for the Navy Reserve?

Admiral COTTON. Yes, we fully expect these missions to continue for the foreseeable future. The global war on terror has been referred to as "the long war," and we have postured our forces to sustain future rotations in these nontraditional mission areas. Many of these missions are performed by volunteers from other communities and capability areas and we expect that to continue. If Navy accepts other nontraditional missions, the Navy Reserve is ready to meet these requirements as a full partner in the Total Navy.

40. Senator GRAHAM. Admiral Cotton, how will this impact the careers of Navy Reserve members?

Admiral COTTON. Sailors who deploy in traditional or nontraditional roles to support the global war on terror are and will be recognized for their service. Promotion and selection boards are briefed to recognize these contributions and reward performance and volunteerism.

NAVY RESERVE END STRENGTH

41. Senator GRAHAM. Admiral Cotton, in terms of end strength, the Navy Reserve has fallen from nearly 88,000 in fiscal year 2003 to an anticipated request of just over 71,000 for fiscal year 2007. That is a reduction of about 17,000 over 5 years. Where is the bottom in terms of end strength reductions?

Admiral COTTON. Navy Reserve end strength will reach approximately 70,000. This level was determined through the Fleet Forces Command Zero Base Review, conducted to analyze the entire Reserve component inventory with requirements. Navy is also smaller, going from approximately 382,000 in fiscal year 2003 to 341,000 in fiscal year 2007, and total Navy has realized great savings in process improvements, alignment of capabilities, and better utilization of every sailor to provide integrated operational support to the fleet and combatant commanders.

TRICARE FOR RESERVES

42. Senator GRAHAM. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, more than 41,000 members of the

Selected Reserve have signed agreements for TRICARE benefits when they return to drilling status. To me, that's good news. Last year we were able to expand access to TRICARE to every member of the Selected Reserve, even those who have not served on extended Active-Duty since September 11, 2001. What is your assessment of how the DOD is getting the word out on these new benefits?

General VAUGHN. Expanded TRICARE benefits are very well-received by our soldiers, but are extremely challenging to convert into policy. Particularly challenging is establishing eligibility. Education is also problematic because the TRICARE benefit is different in each of the phases (alert, mob, refrad) and the soldier/unit needs to take active steps each time to ensure the soldier/family can access coverage. Health insurance tends to be complex at any time, but our soldiers have to learn multiple programs to make decisions for their family's health care at one of the most stressful times in their lives.

DOD is still in the early stages of educating National Guard members on the NDAA of 2006 benefits, so we are unable to determine the effectiveness. Members of the Guard and Reserve have participated in focus groups sponsored by the TRICARE Management Activity (TMA). We believe involvement early in the process will produce a better product for all Guard and Reserve members.

General JAMES. DOD has done an excellent job of getting the word out. Dr. Chu signed the Personnel Policy regarding section 701 of the NDAA for Fiscal Year 2005, outlining the requirements for eligibility into the TRS program on 30 March 2005. Since the policy was released, the Office of the Secretary of Defense (OSD) has made a concerted and broadbased effort to spread.

General HELMLY. The NDAA for Fiscal Year 2006 enhanced the TRS program with two additional tiers which will allow all Selected Reserve members to purchase TRICARE coverage. It is currently scheduled for implementation sometime during summer 2006. Expanded eligibility of members of the Selected Reserve under the TRICARE Program allows all Selected reservists to purchase TRS-type coverage, but there will be three tiers of premium sharing. The statutory effective date is October 1, 2006.

It is difficult to make an assessment on publicity as the implementation plan is still being drafted.

TMA has begun work and development of this new benefit. Details on the TRS program (to include start date, eligibility, benefits and premiums) will be posted on the TRICARE Web site later this spring. To receive future TRS updates by e-mail as the information becomes available, members and family members may subscribe to that Web site.

Presently, TRICARE Communications Directorate, Public Affairs Office, is responsible for getting out the word on the TRS and the associated products. They're writing the communications plan and conducting the planning meetings with the offices involved in their directorate, as well as with personnel from Policy and Reserve Affairs. Currently, they are precluded from publishing anything until the Interim Final Rule is posted and approved. A publish date is expected sometime after May 2006.

The TRS Training Conference on May 23, 2006, in Lansdowne, VA, will provide an opportunity to preview proposed TRS marketing products and Web sites as well as provide feedback on those products.

Admiral COTTON. Our assessment is that communications with our force has been effective. The Navy Reserve produces a magazine, The Navy reservist, that is mailed every month to every reservist's home. Our Force Public Affairs Officer also maintains e-mail distribution lists for Reserve flag officers, Reserve unit commanding officers, and ad hoc lists for over 6,000 Navy Reserve leaders. We constantly push information through both the magazine and e-mail distributions on various issues, and future issues will highlight TRS. Additionally, the TMA is working closely with the Services to develop and execute an effective communication plan to advertise the expanded benefits of the TRS program that includes identification of a subject matter specialist at each NOSC.

General BERGMAN. The Marine Corps has identified and trained over 384 TRS representatives. This includes assignment of a primary and alternate representative to each company-level command and higher. We have integrated mandatory briefings during the deactivation process and require all eligible marines to elect or decline coverage. Additionally, the Marine Corps is prepared to brief the entire Selected Reserve on the new expanded TRICARE benefits signed into law on January 6, 2006, during the DOD designated open season for enrollment in these benefits.

General BRADLEY. It is my understanding that OASD/RA is still putting together the policy guidance for the NDAA 2006 TRICARE changes. There have been several joint working group meetings and new guidance should be coming out soon. The implementation plan for certifying eligibility should be ready in late June or early July

2006. Military members must then be certified and enrolled with health care contractors by September 8, 2006, in order for coverage to begin October 1, 2006, for TRS Tiers 2 and 3. If members are not enrolled by September 8, 2006, then the earliest coverage will begin is January 1, 2007.

MEDICAL READINESS OF THE RESERVES

43. Senator GRAHAM. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, when OIF and OEF began, we heard that Reserve units were sometimes unable to deploy due to medical and dental conditions of its members. Units would arrive whole at the mobilization stations, but sometimes as many as 25 percent of the members could not deploy. Has this situation gotten any better?

General VAUGHN. We have no evidence that 25 percent of guardsmen were unable to deploy because of medical or dental reasons. A snapshot of Camp Shelby data that shows the nondeployable rate in the first 25 days has decreased from 8.04 percent to 2.84 percent. The "treated and deployed" information is misleading because we have no visibility of the types of services provided. Given that the brigades were at the mobilization site for approximately 6 months, the treatment provided could have been sick call services for the normal wear and tear expected for this type of training, or even something as simple as a missing panograph from the dental record.

General JAMES. The ANG does not put anyone on orders that is not Individual Medical Readiness (IMR) qualified. The ANG does not utilize mobilization stations to deploy our members. We prepare/deploy members from their home base. Therefore, ANG members that are not IMR qualified do not deploy.

General HELMLY. Yes. According to the First U.S. Army Surgeon, currently, less than 10 percent of the Army Reserve soldiers could not deploy after arriving with their units at the mobilization station. This improvement is the result of refining the processes that support the mobilization effort. Today, we have a better way to track these soldiers through MEDPROS. The Federal Strategic Health Alliance (FEDS–HEAL) program has also helped increase soldier readiness through pre-deployment Soldier Readiness Process reviews. The Surgeon General's policy (February 2006) of appointing medical directors at the mobilization stations to increase consistency of the application of medical fitness standards has also contributed to improving medical readiness in the Army Reserve.

Admiral COTTON. Yes, readiness has improved significantly. Since September 12, 2001, the Navy Reserve has experienced approximately a 2-percent fallout rate for medical or dental deferments and exemptions.

In 2002, the Navy Reserve developed a Web-based application, the Medical Readiness Reporting System (MRRS) to track IMR. As the 2005 DoN CIO IM/IT Excellence Award winner for Innovation, MRRS provides Commanders visibility of IMR data for the individual, unit, and force wide. Navy and Marine Reserve component and Marine Active component use MRRS and it is currently in testing for further deployments worldwide in support of global war on terror forces.

General BERGMAN. There are 185 Reserve Training Centers (RTCs) around the country. These RTCs have very limited or no medical and dental screening capabilities. However, once mobilized, a reservist has a 90-day access to TRICARE facilities to get their readiness status up to standard. If there is no medical support, medical and dental readiness conditions of reservists are mitigated at the Intermediate Locations (ILOC). We believe the nondeployable rate for MFR marines is lower than 25 percent and not an issue. The sole exception is relatively high dental class 3 status among MFR marines. Most of these MFR marines are treated at ILOC in Lejeune and Pendleton; and as a result, very few are declared nondeployable.

General BRADLEY. The situation you describe did not occur in the Air Force Reserve. The Air Force Reserve maintains the same medical readiness requirements as our Active-Duty counterparts. This includes annual medical and dental assessments. In addition, we do not mobilize whole units. We mobilize tailored packages within our units. Because of this, only those airmen who are fully medically ready are selected for mobilization. Since Operations Enduring Freedom and Iraqi Freedom, less than 1 percent of Air Force Reserve was actually mobilized and then could not deploy for medical/dental reasons.

44. Senator GRAHAM. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, what kinds of reports do you get on the medical and dental status of Reserve units and individuals, and what trends have you observed in the past 2 years?

General VAUGHN. We have conducted an epidemiologic study of hospitalizations of all soldiers in Iraq and Afghanistan from September 11, 2001, through November 30, 2005. We have clear data that shows ARNG soldiers are hospitalized at no greater frequency than their Active-Duty counterparts, and in many instances less frequently. This is despite the fact that ARNG soldiers are approximately 5 years older than their Active component counterparts. This data demonstrates that ARNG soldiers are healthy when they arrive at the mobilization site, and retain their health as well, or better, than either of the other two Army components while deployed.

General JAMES. The ANG has been steadily increasing the IMR rate of its members as compiled in the Air Force Preventive Health and Individual Medical Readiness (PIMR) database. With an added emphasis on IMR requirements, the ANG has fully complied with DODI 6025.19, Indvidual Medical Readiness, and currently the ANG is 70.4 percent fully medically ready using the DOD standards. (Annual PHA must be accomplished within 3 months following the due month.) Hep A, Hep B (if series began after September 1, 2002), tetanus, MMR, polio, and influenza vaccination status must be current.

Required labs consist of: HIV within past 24 months and DNA on file. Dental class must be 1 or 2, and last annual dental exam must be within 3 months following the due month. The servicemember should have been issued gas mask inserts (if required based on DVA) and should be free of deployment limiting conditions.

General HELMLY. Army Reserve Major Subordinate Commands report the medical and dental readiness of their commands through Unit Status Reports and Battle Focus Readiness Reviews. The trends over the past 2 years have improved through better tracking medical protection system (MEDPROS), the FEDS–HEAL program and the pre-deployment Soldier Readiness Process. Through these initiatives and the hard work from the commands, the medical readiness of the Army Reserve has improved by 6 percent over the past 12 months, which represents an increase in approximately 20,000 fully medically-deployable soldiers.

Admiral COTTON. In 2002, the Navy Reserve developed a Web-based application, the MRRS to track IMR. As the 2005 DoN CIO IM/IT Excellence Award winner for Innovation, MRRS provides commanders visibility of IMR data for the individual, unit, and forcewide. Navy and Marine Reserve component and Marine Active component use MRRS and it is currently in testing for further deployments worldwide in support of global war on terror forces.

During the Commander Navy Reserve Forces Command biweekly video teleconference, medical readiness statistics generated by MRRS for the entire Navy Reserve are reviewed and readiness commanders are held accountable for readiness improvement. This leadership focus on medical readiness has led to Reserve Force medical readiness improvement from 35 percent in 2003 to 50 percent in 2005. Even though 50 percent of the Reserve component is fully medically ready, leadership accountability and development of the MRRS has allowed the Navy Reserve Force to more closely manage the mobilization process and preclude significant fallout due to medical or dental issues.

General BERGMAN. We were not able to observe the trend the past 2 years because of the inadequacy of an available database system. In previous years, medical and dental data for the reservists were entered into Shipboard Nontactical Automated Processing Program Automated Medical Systems (SAMS). SAMS is an archaic, stand alone system that has no central database to track trends. In order to fill this void, last year, MARFORRES was the first among the MARFORs to migrate into the MRRS. This system provides IMR as well as anthrax, immunization, medical, and dental readiness reports. With these data input we should be able to provide a 2-year trend next fall.

General BRADLEY. AFRC and all subordinate units have 24/7 access to reports on IMR. Commanders, at all levels, can view the health status of entire units or individuals. These reports are in consonance with DOD reporting criteria. In addition to reports that are purely medical in nature, I also receive operational reports that indicate when specific capabilities are decreased due to medical issues.

Over the past 2 years, the Air Force Reserve has seen a slow but steady improvement in our medical and dental fitness. This improvement is primarily the result of command driven special interest to ensure a fit and ready Air Force Reserve. Medically, we currently estimate that 93 percent of the Air Force Reserve could be deployed if called to action.

Dental readiness continues to be problematic for the Air Force Reserve. Of the approximately 14,000 individuals who have delinquent readiness requirements, 13,500 can be attributed to dental readiness. A critical shortage of dental professionals within the Air Force Reserve has not helped this unfortunate statistic. The Air

Force Reserve is now employing contracts with civilian dentists to provide required exams and improve the backlog. Reserve members are also allowed to utilize exams provided by their own civilian dentist to satisfy military requirements. Also contributing to the dental deficiency is that new recruits are not provided dental examinations at the military entrance processing stations before entering the military and being sent to basic training. Once in the basic training and technical school pipeline, training schedules do not allow for dental examinations or treatment except in cases of emergency. Also, while in the training pipeline, which for some career fields can be a year or longer, these recruits continue to be reported as delinquent. Finally, there is no mechanism for the Air Force Reserve to ensure that individuals with readiness limiting dental issues receive the proper corrective attention. Air Force reservists are not entitled to dental treatment when not on military orders. As with other medical issues, once the Air Force Reserve identifies a dental issue, the reservist is required to coordinate their own treatment at their own expense. Because of the extraordinary cost of dental services, many Reserve members are unable to meet the demands of dental readiness once problems are identified.

SUPPORT FOR RESERVE FAMILIES

45. Senator GRAHAM. Secretary Hall and General Blum, family support is critical for our deploying reservists, whether they live near a military installation or not, and whether they deploy with their unit or deploy alone to augment another unit. Please tell me what you have done about improving support for our Reserve families—in childcare, counseling, communications, and family assistance?

Mr. HALL. The Department has partnered with many other governmental agencies and organizations to establish or expand many successful programs to ensure that National Guard and Reserve families have access to the support services they require when their military family member is deployed. Operation Military Childcare and Military Childcare in Your Neighborhood provide childcare services to Guard and Reserve families when deployment impacts their normal childcare opportunities. These spaces are provided at reduced costs that are comparable to what Active-Duty families pay for childcare at a Child Development Center on a military installation. Military OneSource provides counseling and education services 24 hours a day, 7 days a week, year round for families in need of quality of life and other life challenging assistance. These services are provided at no cost. The services are available through a toll-free 800 number as well as via the Internet.

The Department has also established the Troop and Family Counseling Services for National Guard and Reserves. This program provides informal individual and group coaching as well as formal training and education to assist members and their families to prepare for and cope during deployments, reunions, and other times of change. This program is also available at no expense to the Service, component, member, or family. Communications and contact with family members of deployed Guard and Reserve members have increased and been enhanced. Each component family program is seeking to achieve 100 percent contact with families of deployed Guard and Reserve members. The primary means is with monthly telephone calls, but methods also include home visits, family readiness and support group meetings, and training, as well as newsletters, Web sites, and e-mail messages.

The Army has developed a Virtual Family Readiness Group (FRG) that provides all FRG functions on the Internet. This new initiative has received wide acclaim from those in geographically dispersed and isolated areas. Family assistance has been enhanced through a number of initiatives including the more than 400 Family Assistance Centers (FACs) established by the National Guard in communities where there are a significant number of military members deployed or where there are significant numbers of families of deployed Guard and Reserve members. These family centers are very flexible and can be relocated, as necessary, when troop rotations occur. Many of them also serve multiple locations in a geographic area using a publicized schedule to be available at one location or another on certain days of the week. The greatest improvement to family assistance has occurred as a result of the Department sponsored and funded pilot program for Multi-Component Family Support Networks. This pilot has resulted in expanded and robust InterService Family Assistance/Support Networks around the Nation. This expanded service capability is designed for any military member or family to access and receive services at any location or facility providing family services regardless of Service or component affiliation.

General BLUM. The National Guard has never been in a better posture for supporting families across our organization. Our system is strong, our personnel are trained and skilled, and our partnerships with Veterans Service Organizations, Vol-

unteer Service Organizations, and Community Based Organizations are closer than ever and expanding. Through over 1,000 Family Support staff members and with approximately 12,000 volunteers in our units and armories in all 54 States and territories, we reach out to spouses and families of deployed members and to children and youth who courageously face the challenges of service of their parent to our Nation.

We currently have over 350 (352) FACs strategically placed in communities all across the continental U.S. and its territories. The FACs use the new Guard Family Management System, which is an automated case management tool, to track the number and type of cases handled in support of families. This helps us to prioritize resources in those areas. The trained staffs in the FACs provide expert support, information, and referral to our military families.

An extensive pre- and post-mobilization education system is in place called Guard Family Team Building (GFTB). These training resources are at the grassroots level in each of our units. The family support staff and volunteers in each unit work with and educate families about support resources and benefits. Families and FRGs also receive computer-based training and onsite education to sustain them during deployments. The GFTB staffs and the FRG Deployment Assistants who are located at every Joint Forces Headquarters give this training.

The State Family Program Director and their extensive network of committed family support workers actively assess family needs and make referrals whenever needed to chaplains, Military OneSource, and to the counselors who are part of the Soldier and Family Life Consultants network.

The National Guard has conducted extensive research on childcare needs of our military families and has partnered with Army Community Services through several child initiatives (i.e.: Operation Military Childcare) to provide subsidies to deployed families and to achieve parity of service with Active component counterparts. The National Guard has also educated family support personnel so they are prepared to make effective community referrals for families with long- or short-term childcare needs. As one example of partnering with the community on childcare issues, we have linked with the National Association of Childcare Resource and Referral Agencies and in March 2006 applications from National Guard and Army families seeking childcare assistance increased by 21 percent.

POST-TRAUMATIC STRESS AND OTHER MENTAL HEALTH DISORDERS AMONG RETURNING RESERVISTS

46. Senator GRAHAM. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, my concern about the problem of post-traumatic stress disorder and other mental health problems was heightened recently when I learned that as few as 22 percent of returning members who were at risk for deployment-related mental health problems were referred for treatment. I think there is a flaw in the system of post-deployment health assessments (PDHA) and receiving needed care. What do you think about the effectiveness of that system?

General VAUGHN. The National Guard is prohibited from providing health care. Knowing that, and knowing that our soldiers were heavily engaged in the global war on terror and would experience very stressful circumstances, the National Guard entered into a formal agreement with the Department of Veterans Affairs (VA) in 2005. In support of this agreement, the National Guard included the placement of 54 benefit advisors in the States to facilitate any necessary health care (or other veteran benefits). To date this arrangement has worked very well, and in conjunction with the current post-deployment health reassessment (PDHRA) we are providing through the VA timely and professional mental health support for our soldiers. Also, for completeness, the National Guard vision for these 54 benefits advisors is that they provide support for any soldier, sailor, airman, or marine, regardless of component, in any of the States. We believe that the Joint Force Headquarters can and should provide this service to any servicemember in need.

Regarding the PDHRA, the ARNG moved out to implement the program and have already screened over 4,000 eligible soldiers. Referral data demonstrates that a much smaller percentage of our soldiers need to be evaluated for behavioral/mental health issues than for other medical issues.

General JAMES. Post-Traumatic Stress Disorder (PTSD) and some other mental health disorders may not be readily apparent either to the member or to those around him or her when they first return from combat. As such, the previous "Post Deployment Screening," (DD Form 2796) which is an invaluable tool to identify many other medical issues, is not capable of identifying many of those at risk for

PTSD. To fix this, the Services have been developing a new and additional tool, the PDHRA (DD Form 2900), which is designed to be administered 90–180 days after re-deployment.

General HELMLY. This is a new system. As with all new systems/programs, issues probably will arise with its implementation. The service provided will increase once the issues are resolved.

The Army Reserve understands its soldiers may face incredible pressures upon return from a combat zone. We are committed to ensuring our soldiers receive the best care possible upon return from theater and that issues be addressed immediately. There are three categories for Post Deployment Health Assessments (PDHAs), with an emphasis on detecting possible mental health issues: 3 to 6 months post deployment to a combat zone, 3 to 6 months after discharge from a medical treatment facility as an inpatient if evacuated from a combat zone, and 3 to 6 months from the date of medical evacuation from a combat zone, if never an inpatient. Completing the PDHRA screening process is a command responsibility at all levels.

Soldiers have to be willing to admit to any possible problems. In many occupations within the military, it is still considered a weakness to admit to a possible mental health issue, combat zone exposure or not. Part of our suicide prevention program addresses the stigma that is still attached to possible mental illness and depression. Another part of the solution is leaders ensuring soldiers know that seeking treatment is a positive step, and is encouraged. All of these actions and programs are facilitating a smoother transition and support network as the soldier returns to civilian life.

Admiral COTTON. Any Navy reservist who reports any deployment-related mental health issue is automatically granted a line-of-duty determination and provided necessary medical support.

General BERGMAN. There are two occasions for the conduct of PDHAs on marines and sailors serving with Marine Reserve units. It is the responsibilities of the Employing Force Commander to ensure all marines and sailors (whether Active component or Reserve component) complete their first PDHA before leaving the combat theater, which asks if they have had certain experiences or symptoms within the past 30 days. Licensed clinicians review the completed PDHA forms and conduct face-to-face interviews with the servicemembers. If the servicemember affirms three or more of four questions on the PDHA, the clinician reviewing the form and conducting a face-to-face interview uses their clinical judgment to refer the marine for a mental health evaluation or if symptoms have subsided or are moving toward resolution by the time the interview occurs, recommend no further evaluation. It is not unusual that 78 percent of those who initially affirmed symptoms would improve. As deployment health concerns may not be noticed immediately after deployment, the second assessment, a PDHRA, is conducted 90–180 days after return from deployment. The PDHRA program provides another opportunity to access care and is offered to all servicemembers who have returned from operational deployment, including Reserve members.

The PDHRA system is a maturing process where the different parts of the process are being refined for effectiveness. Particularly regarding reservists, since we have 185 Training Centers (RTCs) that are decentralized and with no requisite health providers, the Federal Occupational Health Services (FOHS) system currently in place by DOD provides site visits to the different sites as recommended by the unit commanders of post deployed units. FOHS teams usually consist of six members to include a mental health professional, health benefit counselor, etc. FOHS teams also bring laptops with them to capture data gathered from these assessments. These site visits are beneficial because they provide face-to-face contact with the servicemembers for follow-on care including the identification of mental health issues and servicemembers are educated on their follow on health care benefits. To further enhance the effectiveness of the system, if site visits are not feasible, a phone bank system is also established for reservists to call a health care provider on the other end for any questions and to help the member complete the DD2900 extensive health surveillance document. The system in place is only effective if the servicemember completes this document. We will continue to monitor the performance of our PDHRA process.

General BRADLEY. Improvements have been made with regard to PTSD and associated mental health issues. Last year, the DOD expanded post deployment mental health screening. Now, in addition to a PDHA that is conducted immediately upon the member's return, the Air Force Reserve conducts a repeat assessment 90 days following the deployment. This time frame coincides with the typical onset of PTSD and associated symptoms. The Air Force Reserve has an automated Web-based system to track compliance and ensure that appropriate referrals are made. Air Force reservists also have access to military mental health professionals regardless of

their current orders status. This, along with programs such as Air Force OneSource and improved DOD/VA partnerships, ensure that Air Force reservists have access to the full range of military mental health services.

CARE FOR THE WOUNDED

47. Senator GRAHAM. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, there is no higher priority among members of this committee than care for our wounded members. Complex wounds caused by improvised explosive devices, result in extended periods of rehabilitation for thousands of wounded members who are still in our system. I am concerned that some have—or will—fall between the cracks.

How do you track the progress of wounded reservists, whether they are in the DOD or the VA medical system, and how can you be assured that the care they need is accessible to them from every source—the DOD, the VA, or civilian care, if necessary?

General VAUGHN. We share your concern and work to keep that from happening. The National Guard Bureau closely tracks the status of wounded/ill ARNG soldiers worldwide. We compile information found on several Army Medical Department information systems—Joint Patient Tracking Application and the Patient Accounting Reporting Real-time Tracking System—and from the Army Operations Center LN12 Report.

We also support the Wounded Warrior Project (WWP). This project was founded on the principle that veterans are our Nation's greatest citizens. The WWP seeks to assist those men and women of our Armed Forces who have been severely injured during the conflicts in Iraq, Afghanistan, and other locations around the world. Many of the injuries are traumatic amputations, gunshot wounds, burns, and blast injuries that will retire these brave warriors from military service. The WWP provides programs and services designed to ease the burdens of the wounded and their families, aid in the recovery process, and smooth their transition back to civilian life. The WWP work begins at the bedside of the severely wounded, where they provide comfort items and necessities, counseling, and support for families. They speed rehabilitation and recovery through adaptive sports and recreation programs, raising patients' morale, and exposing them to the endless possibilities of life after an injury. Finally, they provide a support mechanism for those who have returned home by providing outreach and advocacy on issues like debt and disability payments that will affect their families' future.

General JAMES. Wounded reservists are tracked through their applicable service casualty office. The casualty office works in conjunction with the Family Liaison Officer (FLO). A FLO is assigned to each wounded member and their family upon notification. The FLO in conjunction with the casualty office assists the member with any needed medical attention, benefits, and entitlements they may need for the member or the family. A positive effect of an unfortunate situation has been an improved and well-orchestrated working relationship with the DOD, the VA, and civilian health care.

General HELMLY. There are approximately 1,169 soldiers in the Army Wounded Warrior system as of 01 April 2006. The commission must support the opportunity to monitor this population very closely and make immediate improvements in service delivery that will positively impact their future. The Department of Army, the Reserve components, the VA along with the Community Based Health Care Organizations have developed a network to provide comprehensive services to this population while they are in the Army Medical Treatment Facilities, VA Rehabilitative Centers, and hometown locations across America. Personnel at all levels are working vigorously to provide quality medical care, ensure access to non-medical support services for soldiers and their families through rehabilitation, and monitor the progress of the soldiers for up to 5 years following retirement.

The Army has good situational awareness of the primary and secondary categories of injuries, treatment, and outreach services required for an effective quality of life measurement system. Reserve soldiers have no requirement to participate in Battle Drill Assemblies within the first 90 days of returning from their deployment. This may present a challenge to Army Reserve leaders who are expected to monitor and provide support to returning soldiers.

Admiral COTTON. Critically injured Navy Active and Reserve personnel are tracked through Navy's Safe Harbor program. Upon return from theater or Landstuhl Army Medical Center in Germany, Navy personnel are hospitalized in the National Capital Region where they are entered into the Safe Harbor program. When members are transferred from the National Capital Region, the Navy Region

Commanders assume responsibility for oversight of the member by assigning a Navy Command proximal to the member's treatment facility (DOD, VA, or civilian) or home to assist the member and family with any nonmedical support and report back to the Safe Harbor program. In addition to nonmedical support from the Safe Harbor program, Reserve members receive medical monitoring and support from Navy Personnel Command's Medical Hold program.

General BERGMAN. Marine Corps reservists who are injured are either retained on Active-Duty in a medical hold status, or are released from Active-Duty and request line-of-duty (LOD) benefits. Once Headquarters, U.S. Marine Corps (HQMC) is made aware of either the medical hold or LOD status, the injured marine reservist's case is entered into the Marine Corps Medical Entitlements Data System. It is incumbent on the MARFORRES unit that owns the injured marine to inform HQMC (M4L–RMED) of the marine's condition to initiate proper accountability/reporting, and to prevent administrative omissions.

Local Limited Duty Coordinators (LDCs) act as the liaison between the individual injured marine reservist and higher headquarters. Bureau of Medicine personnel assist LDCs in case management and ensuring that injured Marine reservists receive the necessary treatment/timely processing through the Disability Evaluation System.

MARFORRES has ensured that every Marine Corps Reserve unit has at least one LDC assigned. Vigilance on the part of LDCs and commanders is required to ensure marines attend appointments, as well as promptly submit complete command documentation for medical board proceedings, in order to assist in the timely processing of marines for medical discharge or return to full duty.

General BRADLEY. The Air Force has systems that track individuals as soon as they show up in one of our deployed field hospitals, through the aeromedical evacuation system and back in the United States. Once released from the hospital, the Reserve medical unit tracks their progress and rehabilitation until such time as they are well and can return to duty, or they are processed through the disability evaluation system and are medically retired/separated. There are multiple systems in place that require periodic review to ensure the Air Force reservist does not fall through the cracks. In addition to established positions within DOD and TRICARE networks, the Air Force Reserve has created positions with the primary mission of ensuring injured reservists have access to the care that they need.

QUESTIONS SUBMITTED BY SENATOR JOHN MCCAIN

REDUCTIONS IN END STRENGTH

48. Senator MCCAIN. Secretary Hall, General Helmly, and General Bergman, in the QDR, under the heading "Reconfiguring the Total Force", DOD plans on cutting 55,000 servicemembers over the next 3 years. Worldwide deployments and disaster relief missions here at home continue to tax the Services. Yet the QDR and the current budget request recommend reductions in end strength DOD-wide. What are your views concerning this issue?

Mr. HALL. To date, the National Guard has only been able to recruit to a level of 336,000 soldiers and the Army Reserve to 187,000 soldiers, both of which are below the current authorized end strengths of 350,000 and 205,000, respectively. However, since December 2004, we have increased the number of ARNG recruiters by over 1,100 and the number of Army Reserve recruiters by almost 800, as well as provided funds for recruiting costs and advertising to assist the Reserve components in meeting their recruiting goals. Finally, the Army still plans to program for up to 350,000 National Guard and 200,000 for the Army Reserve.

Resourcing troop levels at their actual strength, combined with the force rebalancing efforts, and the civilianization of nonmilitary essential functions will provide our Nation and its Governors with the necessary forces at their disposal to accomplish their homeland defense requirements, as well as our worldwide operational needs.

General HELMLY. The Army Reserve is not reducing its size, but rather restructuring spaces and placing soldiers into warfighting units. To use the QDR "Reconfiguring the Total Force" vernacular, the Army Reserve is being "operationalized" so that select reservists and units are more accessible and more readily deployable than ever before.

The Army Reserve Force contributes to the accomplishment of every Army mission, and it complements the joint force with the skills that warrior citizens bring from their civilian professions for less of the Army's total obligation authority. Army Reserve transformation is about taking the lead in organizing and fielding a gap ca-

pability that makes a fiscally prudent full-time force fully capable in times of need. The Army Reserve has consistently provided operational depth and operations tempo relief on a rotational basis that is not only cost effective but uses the technical expertise these units are organized to provide, thus enhancing their readiness for the global war on terror.

General BERGMAN. The Marine Corps Reserve current authorized end strength remains unchanged in the 2007 President's budget request, steady at 39,600. The 2006 QDR calls for an end strength of 39,000 by fiscal year 2011. In our assessment, the current end strength level is sustainable from a recruiting and retention vantage point. However, any growth in end strength is viewed as problematic due to the potential for a decline in the quality of the applicant pool, and the rising cost of manpower that challenges the Services' ability to adequately fund the warfighting investment account.

STOP-LOSS AND THE RESERVE COMPONENT

49. Senator MCCAIN. General Helmly, please explain why the Army has utilized stop-loss on more than 50,000 soldiers while the QDR and the budget plan to draw down the Reserve component.

General HELMLY. The QDR directs DOD to rebalance Active component and Reserve component forces across all components. In fact, the Army Reserve will have an increase in authorized end strength of 1,000 (to 206,000) by fiscal year 2013. DOD structure rebalancing initiatives do not have a direct impact on the operational requirement for the use of stop loss. The Army Reserve has mobilized over 145,000 soldiers in support of the global war on terrorism. Unit stabilization (stop loss) is necessary to ensure unit leadership is stabilized (at any given time only about 20 percent of all Army Reserve officers have a remaining service obligation) and to reduce the need for last minute personnel reassignments. The recommended plan in the future is to offer compensation to soldiers who fall under unit stabilization requirements. Further, the goal is to reduce or eliminate the need for unit stabilization with full implementation of Army Force Generation lifecycle management.

RESERVE DEPLOYMENTS

50. Senator MCCAIN. Secretary Hall and General Blum, we are already hearing from many reservists and their employers about deployments which are neither periodic nor predictable. Are these policies in the best interests of our Total Force? Please explain.

Mr. HALL. The Department agrees that predictability of mobilization is a very important quality of life issue for Reserve component members. The Department policy that established a goal of no more than 1 year of mobilization in every 6 years of service is designed to provide that predictability. The military departments are actively implementing that policy. In addition, our policy establishes a goal of providing all Reserve component members with orders at least 30 days prior to their mobilization date to facilitate members' dealings with their employers, families, and other issues. We also attempt to provide written notification as early as possible to afford members and their families the early eligibility for TRICARE benefits, because we understand the criticality of medical coverage during this period. We also attempt to provide verbal notification as early as possible in advance of the written notification.

General BLUM. Today's National Guard is not the Guard of the past. Throughout our Nation's history, National Guard service has always been honorable. But today, the Guard's mission has shifted from a strategic reserve, built on a Cold War construct, to an operational reserve that must be capable of joint and expeditionary operations.

We are balancing our forces, focusing on the right capabilities in every State and territory. We are effectively leveraging existing forces and capabilities. We are streamlining forces and organizations, and as a result will create or change forces to meet today's reality and tomorrow's threats.

We have developed a predictive deployment model with an end state goal that ensures the force is managed to permit approximately 25 percent to be deployed to the warfight; with up to another 25 percent training to replace those already deployed; and ensuring that a minimum of 50 percent (and up to 75 percent) remains available for State missions, homeland defense, and support for homeland security operations. For our soldiers, our families, and our employers, this model will establish a goal of no more than one substantial deployment every 5 or 6 years, and for our airmen, one deployment every 15 months. This is important to maintaining a

ready, reliable, and accessible National Guard for State or Federal missions now and in the future.

The increased use of the National Guard and Reserve impacts our future human resource requirements. It is unclear, at this point, what long-term effects this increased use may have. Experience demonstrates that highly motivated Reserve component personnel will continue to serve if they are provided predictable expectations of service and are treated with dignity and respect when mobilized. Our experience, to date, is the Nation's employer community is overwhelmingly supportive of their employees who have been mobilized for State or Federal missions. The implementation of a predictive deployment model will positively impact their continued support.

We are working closely with TAGs, and the Army and Air Force to transform the National Guard for the future and to execute a predictive deployment model.

51. Senator MCCAIN. General Vaughn, General James, General Helmly, Admiral Cotton, General Bergman, and General Bradley, the QDR recommends:

1. Increasing Presidential Reserve Call-up from 270 to 365 days;
2. Seeking legislation to improve access to Guard and Reserve in support of civil authorities;
3. Seeking legislative relief of Presidential Reserve Call-up statute to activate reservists for natural disasters; and
4. Developing Reserve units that train more intensively and require shorter notice for deployment.

We are already hearing from many reservists and their employers about deployments which are neither periodic nor predictable. Are these new policy initiatives in the best interests of our Total Force? Please fully explain your response with regards to the QDR Reserve Force initiatives listed above.

General VAUGHN. The impact of these policy initiatives on the interests of the Total Force will largely be positive but will, of course, depend on the details of implementation.

The ARNG supports increasing Presidential Reserve Call-up from 270 to 365 days. For some missions, the current window is a little too short to mobilize, deploy, redeploy, and demobilize a Reserve component unit. As a result, it would be helpful to have authority for up to 365 days. Some missions may not require that length of call-up but the higher cap will provide flexibility that would be helpful.

As a general matter, the National Guard Bureau supports seeking legislation to improve access to Guard and Reserve in support of civil authorities, but would need to see details of any specific proposals.

The National Guard experience has been that, as a general matter, disaster response operations are best executed at the State level. These governments have extensive emergency experience, powers, and capabilities. Emergency Management Assistance Compacts allow State governments to rapidly access disaster response resources—including National Guard forces—from all over the Nation. The need to supplement this capability with other Federal Reserve component forces is not obvious. While this could make more forces available for disaster response, it might also further stress the Reserve components unnecessarily. Also, because State governments might view such a change in the Presidential Reserve Call-up statute negatively, the details of such an initiative would likely best be crafted through a State-Federal dialogue.

Developing Reserve units that train more intensively and require shorter notice for deployment is a recommendation worthy of examination. The challenge will be to develop a means for structuring such units which would still remain consistent with the nature of the Reserve components (i.e., citizen-soldiers maintaining a viable full-time civilian career and commitments in the community). Having a well-defined structure and mission may make this a viable option.

General JAMES. (a) While this proposal may allow for slightly increased longevity, it does not provide increased flexibility or delegation authority in the utilization of this statute (10 U.S.C. 12304), with the exception of enhancing command and control between Guard and Active-Duty Forces. Additionally, it could be construed as an attempt to circumvent use of Partial Mobilization (10 U.S.C. 12302). While it seems this proposal coincides with Army global war on terror overseas rotation requirements and may be helpful for the Army, the ANG does not currently anticipate using the authority.

(b) We encourage continued exploration of innovative ways to increase access to and flexible use of the Reserve components, but new legislation may be unnecessary in light of the additional flexibility gained by passage of chapter 9 of title 32, in the 2005 NDAA. Chapter 9 provides for the Secretary of Defense to make available funding to Governors to employ National Guard members to conduct homeland de-

fense activities for 180 days, with the ability to extend members for an additional 90 days. Further, section 502(f) of title 32 provides similar authority and National Guard members can also support civil authorities under State control. Accordingly, we would recommend a thorough review of titles 10 and 32 to ensure that new legislation is actually necessary. We would also recommend close coordination with the States to ensure critical utilization and command and control issues are resolved.

(c) We question whether additional legislation is necessary in this regard. Section 502(f) of title 32 currently provides the authority to use National Guard members for natural disasters and was used extensively during Hurricane Katrina. Moreover, the National Guard can also be ordered to duty under State law to respond. Together with the additional flexibility gained by passage of chapter 9 of title 32, in the 2005 NDAA, it would seem this initiative may be unnecessary. As mentioned earlier, chapter 9 provides for the Secretary of Defense to make available funding to Governors to employ National Guard members to conduct homeland defense activities for 180 days, with the ability to extend members for an additional 90 days. If it is believed that these statutes are not sufficient, we would recommend an exceptionally thorough review of titles 10 and 32, and close coordination with the States to ensure critical utilization and command and control issues are resolved.

(d) The ANG welcomes the exploration of ways to enhance mission readiness and predictability. However, unless current laws are changed, we must ensure that training and employment for any such units can be conducted under existing authorities. We must also consider the implications of recruiting and retaining members for such units. Additionally, there are currently multiple studies underway, including the Congressional Commission on Roles and Missions of the National Guard, which may potentially impact National Guard utilization.

General HELMLY.

1. Increasing Presidential Reserve Call-up from 270–365 days;

Yes, this initiative is in the best interest to the Total Force.

The Army Reserve supports the request to increase Presidential Reserve Call-Up (PRC) from 270 to 365 days as it will provide flexibility to support the combatant commanders. The great majority of the Army Reserve's units will not require the full 365 days to alert/mobilize/deploy/redeploy/demobilize if the mobilization process is effectively streamlined to minimize post-mobilization training requirements.

Existing alert and mobilization policy and Partial Mobilization Authority and PRC Mobilization Authority law were written for a strategic reserve not an operational reserve.

PRC and partial mobilization are based on named operations rather than recurring use of a rotational force over some horizon. The implication is that no "refresh" of access is required because the named operation will not last for an extended period.

For ARFORGEN to be operational it assumes assured access to Reserve component units; however this is not the case under current policy/law.

The existing body of law and policy limits the use of Reserve component forces and was designed under the presumption that Reserve component forces would only be used for limited periods of time under PRC/partial mobilization as part of a stairstep while the executive and congressional branches of government move to full mobilization, if required.

With a rotational force, there is a requirement to adjust mobilization laws and procedures to improve our capability to support the long war, while providing stabilization and predictability to our soldiers. Crafting a new mobilization law that guarantees access to some specified quantity of Reserve component forces on a cyclic/self-renewing horizon might be of value.

The new law would also have to allow for alert of the Reserve component unit upon missioning to mitigate attrition during the ready/available years and allow the unit to complete the ARFORGEN readiness gate training requirements.

2. Seeking legislation to improve access to Guard and Reserve in support of civil authorities;

Yes, this initiative is in the best interest to the Total Force.

Under title 10, section 12304 identifies support in the event of a terrorist attack. No moblization/activation authorities support natural disaster assistance.

The United States Army Reserve supports legislation to improve the Army Reserve's ability to support domestic operations involving the results of natural disasters. Improving how civil authorities can access the Army Reserve with a more rapid process could help mitigate the loss of life and property. Pre-established funding streams and easy to understand "activation and employment instructions" regarding assistance to civil authorities would expedite the initial phases of organizing a response after an event occurs.

The Army Reserve has talented soldiers with diverse skills who are willing to support the State or the Nation in a homeland disaster whether called on orders as AT, ADT, IDT, and ADSW. Any such laws which would facilitate the use of Reserve component personnel should also provide support for the soldiers' families (TRICARE issues) called for duty less then a 30-day period. Under today's statutes, soldiers families are without benefits during the first 30 days unless on ADT, ADSW orders whose duration is longer than 30 days.

3. Seeking legislative relief of Presidential Reserve Call-up (PRC) statute to activate reservists for natural disasters;

Yes, this initiative is in the best interest to the Total Force.

The Army Reserve supports the request to modify PRC to allow Federal forces to respond to natural disasters. Currently Federal forces are allowed to provide support to civil authorities for disaster relief under limited immediate response circumstances under PRC Mobilization Authority. The first mobilization authority where this is currently allowed is under Partial Mobilization Authority.

As occurred with the Louisiana National Guard and Hurricanes Katrina and Rita, if a large part of a State's National Guard force is deployed/obligated under ARFORGEN requirements the local authorities may lack sufficient resources to respond to a natural disaster.

The Army Reserve has units geographically dispersed throughout the country just like the National Guard with the same equipment as the National Guard has identified HLD/HLS useful equipment.

4. Developing Reserve units that train more intensively and require shorter notice for deployment;

The Army Reserve believes this issue may have value, but needs further study. How to adequately provide predictability to soldiers in units that will be mobilized for longer periods of time needs to be explored. Implementing a program before identifying and working through all issues may result in false expectations, cause damage, and disrupt morale.

Admiral COTTON. These QDR initiatives are in the best interests of our national defense as they enhance the warfighting capability of our Total Force. The transnational, asymmetric threats posed by terrorism require a Reserve component that is adaptive, flexible, and ready to fight our Nation's wars. Balancing the need for an agile and accessible force with a predictable and periodic operational tempo is the challenge for Navy leadership. We recognize the impact of supporting the global war on terror and day-to-day operational requirements upon our reservists, their families, and their employers. We are committed to supporting our citizen sailors as they answer our Nation's call to arms in this long war of our generation.

Increasing Presidential Reserve Call-Up Authority from 270–365 days

The operational rotation cycles currently used by the United States Marine Corps and the United States Army relative to deployments for their Active and Reserve components vary from 6 to 12 months "boots on the ground," which they deem to be the most efficient and effective length for tours of duty in their respective Services. A maximum duration equal to 270 days does not readily support those cycles when pre-deployment training and post-deployment deactivation are taken into account. Expanding that duration to 365 days will facilitate greater "boots on the ground" time for Reserve component deployments.

As our Reserve component changes from a strategic to an operational reserve, we must increase accessibility of our reservists. Increasing PRC authority in title 10, section 12304, to 365 days will provide more critical skill sets to the supported command during a national emergency. This increased authority would allow the Services to meet emerging requirements with fewer rotations of recalled servicemembers.

Seeks legislation to improve access to Guard and Reserve in support of civil authorities and natural disasters (Initiatives (2) and (3))

Hurricane Katrina revealed once again that the heart and soul of our national response to such crises is our Guard and Reserve. Supporting homeland defense/homeland security and providing humanitarian assistance/disaster relief are important roles for the Reserve component that must be enabled by legislation. These nontraditional missions are especially suited for the Guard and Reserve because of the diverse skill sets resident within these organizations. More importantly, our guardsmen and reservists live in the communities impacted by such events. Although we cannot predict the occurrence of these crises, we can predict the strong and unselfish desire of our citizen soldiers and sailors to protect and render assistance to their friends and neighbors. The Navy Reserve will remain a "ready and relevant" contributor to civil authorities and disaster relief efforts.

Develop Reserve units that train more intensely and require shorter notice for deployment

As previously stated, today's Reserve component is a critical component of the Total Force. As such, the Reserve component must be responsive to the changing demand signals sent by combatant commanders who require rapidly deployable, flexible warfighting capabilities. Initiatives such as Active Reserve Integration (ARI) allow Active component and Reserve component to work side-by-side in support of 21 joint capability areas and to do so seamlessly. They enable a Reserve component that is trained and ready in fleet compatible equipment, systems, and functions. This ARI training is more effective and efficient, and has resulted in a Navy Reserve that is ready, relevant, and fully integrated. Recent examples include forward-deployed helicopter combat support detachments comprised of integrated Active and Reserve component warfighters.

General BERGMAN. Marine Corps force management practices are designed to enhance the warfighting capability and long-term sustainability of the Marine Corps Reserve by providing trained, cohesive, combat-ready units, efficiently using Reserve marines 24 months of cumulative activation, preserving Selected Reserve units for subsequent requirements, improving predictability of subsequent activations, and permitting reconstitution of previously activated units. The QDR recommendations to modify PRC authority provide further flexibility for utilization of our operational Reserve within the confines of current Marine Corps force management practices.

General BRADLEY. We have worked closely with the Active-Duty Air Force to develop a means by which we can provide a more predictable and periodic deployment schedule for our personnel. It helps that we have experience with our deployments using the Air Expeditionary Force construct. Periodic and predictable deployments make it easier on everyone: our reservists, their families, as well as their employers. We will continue to improve our deployment processes.

Increasing PRC from 270 to 365 days

An increase to the PRC from 270 to 365 days would certainly increase the flexibility of the combatant commanders.

Seeking legislation to improve access to Guard and Reserve in support of civil authorities; Seeking legislative relief of Presidential Reserve Call-up statute to activate reservists for natural disasters

When it comes to using the Air Force Reserve to support civil authorities, we do that every day. Our response to Hurricane Katrina is a great example of how our reservists voluntarily step up to support civil authorities in times of need. Our Air Force reservists saved over 1,000 people on the Gulf Coast after the storm. I'm not sure if any legislative relief is necessary to call upon the Reserve, whether it is to support civil authorities or to support in times of natural disaster. Regardless of the situation we are ready and available today.

Developing Reserve units that train more intensively and require shorter notice for deployment

The Air Force Reserve is not tiered in our readiness. We maintain a trained and ready force at all times. We are ready to deploy beside the Active-Duty no matter what the mission.

52. Senator MCCAIN. Admiral Cotton, in your prepared remarks, you state "Navy reservists are no longer solely a strategic force waiting for a call to mobilize . . . [t]hey are operational and forward. . ." I fully agree with your statement. We fund Reserve training and support in many different ways. In your view are we maximizing our Reserve training dollars to the fullest extent to enable our sailors to spend more time at their supported operational commands, including even in Japan where we have a bilateral and very close relationship? Please fully explain.

Admiral COTTON. The Navy Reserve's motto is "support to the fleet . . . ready and fully integrated." We have set a benchmark for all reservists to maximize operational support to the supported command. Of the basic 38 days (14 days of annual training and 24 days of drills) a reservist is "on duty" each year, we have set a goal to have each reservist at his or her supported command approximately 30 days.

However, there still exists a myriad training requirements that need to be accomplished on a one-time or periodic basis. The Navy Reserve has transformed how we accomplish this training by finding more efficient methods for training delivery. One great example of this is the disestablishment of the traditional "brick and mortar" classrooms in favor of blended delivery methods that leverage and combine computer based training (CBT) with a shortened classroom portion. Training and education can be accomplished wherever the reservist has computer access. This meth-

od increases the member's flexibility by not necessarily requiring additional time away from his civilian work or the operational supported command. This has dramatically increased Navy's ability to provide current, just-in-time training for our sailors.

Our sailors are accomplishing Joint Professional Military Education through CD ROM, Fleet Seminar, and Web-enabled access delivery methods. The approximate cost/seat is $3,000 versus $145,000–$165,000 required to send a member in person to the Navy War College for 10.5 months.

Another example is the use of knowledge portals such as Navy Knowledge Online (NKO) to provide ready access to a large repository of training and educational products. NKO supports the sailor overseas through centralized access to training products. The only requirements for access are a Common Access Card and a Web-enabled computer.

One area in which we working to enhance the utilization of our training dollars is development of a strategy to provide Tuition Assistance funding for our Selected Reserve. With this tool, our members can accomplish advanced education requirements to meet professional requirements such as the new requirement for an Associates Degree for Senior Chiefs.

Navy Reserve is maximizing use of training dollars by leveraging technology and blended delivery methods. This approach optimizes a Reserve component member's ability to accomplish training and education requirements while balancing operational support commitments.

To address the specific question of maximizing training dollars and operational support at the supported command in Japan, Commander, Navy Reserve Forces Command, has recently modified policy to permit IDT utilization anywhere overseas as long as not in an area prohibited by other instruction, such as hostile fire or imminent danger areas. This will permit the reservist to provide operational support while training with his or her supported command.

53. Senator McCain. Admiral Cotton, I want to congratulate you on your outstanding support to the National Call to Service (NCS) program. Soon, NCS recruits will be ending their Active-Duty service and continuing their naval service as drilling reservists. What ratings or skill sets do you expect to see joining the Navy Reserves from these NCS recruits?

Admiral Cotton. NCS sailors are serving in high demand/low density ratings critical to the global war on terror. Specifically, sailors are transitioning to the Navy Reserve after serving on Active-Duty as master-at-arms, corpsmen, intelligence specialists, and SeaBees.

54. Senator McCain. Admiral Cotton, will there be opportunities for these NCS recruits in the ratings they were recruited for to advance in the Reserves?

Admiral Cotton. Absolutely. NCS sailors transitioning to the Reserve component will fill critical billets and have the same promotion opportunities within their ratings as any other reservist. We value these sailors' contributions while on Active-Duty and we will continue to value their service to our Nation as dedicated reservists.

55. Senator McCain. Admiral Cotton, at this time do you see this recruitment program continuing in fiscal year 2007 and in the future?

Admiral Cotton. Yes, this program provides an important accession source that develops fleet-experienced sailors who can then transition to the Reserve component. The NCS program is delivering a core of junior, qualified sailors to the Navy Reserve and we wholeheartedly support continuation of this valuable and effective program.

56. Senator McCain. Admiral Cotton, Congress provided several new force shaping initiatives and expanded other authorities to address the Reserve recruiting shortfall in the NDAA for Fiscal Year 2006. Are all these force shaping tools, both new authorities provided by Congress and existing authorities which were expanded, fully funded in the National Defense Authorization Request for Fiscal Year 2007? Please explain your response.

Admiral Cotton. The NDAA for Fiscal Year 2006 new and expanded force shaping tool authorities are not fully funded in the National Defense Authorization Request for Fiscal Year 2007. The NDAA for Fiscal Year 2006 was signed after the annual Navy/OSD/Office of Management and Budget budget cycle was complete. This occurred too late to rebuild the budget to accommodate the new authorities. Fiscal year 2007 funding levels for force shaping tools will be addressed through consideration of in-year execution realignments and via the Department's supple-

mental requests. For fiscal year 2008 and future years, resourcing for new authorities are being reviewed during the Department's fiscal year 2008 program/budget build process.

QUESTION SUBMITTED BY SENATOR SAXBY CHAMBLISS

JOINT SURVEILLANCE AND TARGET ATTACK RADAR SYSTEM

57. Senator CHAMBLISS. General James, I understand that Air Combat Command might be trying to "pull back" $526 million in funding for the Joint Surveillance and Target Attack Radar System (JSTARS) re-engining which is currently funded in the fiscal year 2007 budget request in order to pay other Air Force bills. Since this is an issue I have followed extremely closely for the past several years, I would be very disappointed if the Air Force were reneging on their promise to re-engine these aircraft. Can you comment on this issue and ensure me that the JSTARS re-engining effort remains funded in the way which the fiscal year 2007 budget request and FYDP outlined?

General JAMES. The ANG is extremely proud of the contribution it is able to make to the JSTARS mission and have been assured that the Air Force remains committed to the long-term health of the JSTARS program. This will include the planned re-engining of those aircraft in the FYDP. This is included in the budget request submitted to Congress for fiscal year 2007. This summer as we begin departmental fiscal year 2008 deliberations, we are faced with increasing fiscal challenges; these challenges will force tough programmatic decisions in a period of potential negative real growth. The fiscal year 2008 budget submission will balance the best capabilities across the entire departmental portfolios within Total Obligation Authority limits to provide for our Nation's defense.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. AKAKA

MENTAL HEALTH OF RETURNING SOLDIERS

58. Senator AKAKA. General Blum, just this month, approximately 2,300 Hawaii National Guardsmen returned home from deployment. According to a recent article by the Pacific Business News, a number of these soldiers are experiencing some difficulty readjusting to civilian life. I believe that we have an obligation to assist these dedicated guardsmen in their efforts to resume the lives they left behind in order to keep our country safe. I am particularly concerned about the mental health of our returning guardsmen.

Could you provide me more details on the ways in which you are partnering with the VA and other State and Federal agencies to provide additional services to reservists, particularly mental health related services?

General BLUM. In May 2005, the National Guard Bureau signed a memorandum of agreement with the VA that defines the mutually agreed upon requirements, expectations, and obligations of the two organizations. To support this agreement at the State level, the National Guard Bureau has hired State Benefits Advisors and placed them at each State Joint Forces Headquarters to act as liaisons with State and Federal agencies that can provide support to returning servicemembers. In February 2006, the State Benefits Advisors received training provided by the VA, Department of Labor, and DOD. The State Benefits Advisors work with the State Director of Veterans Affairs and other VA personnel to educate servicemembers, their families, and Guard leadership on veteran benefits, and act as the servicemembers' advocate when necessary. Additionally, State Benefit Advisors are working with State Department of Labor to provide career and job placement assistance.

EQUIPMENT NEEDS

59. Senator AKAKA. General Blum, according to an October 2005 Government Accountability Office (GAO) report, one of the challenges facing the ARNG has been an inability to effectively identify and communicate a unit's equipment needs until just before their scheduled deployment. As a result, the Guard is forced to quickly transfer the necessary equipment. What efforts has the Army and National Guard made to remedy this situation?

General BLUM. The ARNG continues to monitor the Department of the Army's Theater Force Tracker database. We are involved in the development and fielding of the Equipment Common Operating Picture information system which should provide to more timely information on the equipping of the deploying forces to South-

west Asia. In addition, we have embedded personnel in the major headquarters in Iraq, Afghanistan, and Kuwait to work these issues in the event information is not provided in a timely manner. We communicate with U.S. Army Forces Command and the Department of Army to obtain equipment information for deployment when it is not made available in sufficient time to allow early and organized equipment fieldings.

TRICARE

60. Senator AKAKA. Secretary Hall and General Blum, the administration's proposed budget would introduce a new fee schedule which would raise the annual enrollment fees for retirees under age 65. It would also raise the annual enrollment fee for TRICARE Prime and introduce a new annual enrollment fee for TRICARE Standard as well as increasing TRICARE Standard's annual deductible. In what way would these proposed changes impact your recruiting and retention efforts?

Mr. HALL. We anticipate an insignificant effect on recruiting, and minimal effect on retention. We feel that even with the rate increase, this is still an excellent value.

General BLUM. We would not expect these changes in TRICARE enrollment fees and deductibles to have a significant impact on our recruiting and retention efforts. On a related note, we appreciate congressional support so that we now have TRICARE availability for the entire Selected Reserve Force through the three tiers of TRS. We will advertise to the maximum extent possible to ensure National Guardsmen are informed of this new TRS benefit.

NATIONAL GUARD'S EQUIPMENT REQUIREMENTS

61. Senator AKAKA. Secretary Hall, in your testimony, you state that, for modernization alone, the Army has budgeted approximately $21 billion from 2005 to 2011. Moreover, you state that this budgeted amount will permit the ARNG to support the Nation's global operations. I am concerned, however, that the Army has not provided a detailed plan that specifies the National Guard's equipment requirements. Without this plan, what assurances can you give me that this amount will be sufficient to modernize the Guard while supporting current operations?

Mr. HALL. The Army is currently working their ARFORGEN Implementation Plan. The Secretary of the Army and the Chief of Staff of the Army are scheduled to be briefed in June and the plan approved by July 1, 2006.

I have requested that the Army provide two detailed plans for equipping the ARNG and the Army Reserve in response to recommendations contained in two GAO audits addressing equipping concerns for these components. Due to the timing of the release of the ARFORGEN Implementation Plan, the suspense date for their input to the Office of the Assistant Secretary of Defense for Reserve Affairs has been extended to June 15, 2006. I will forward the plan to the GAO for delivery to your committee as soon as it is received by my staff.

NATIONAL GUARD END STRENGTH

62. Senator AKAKA. Secretary Hall, you stated in your testimony that the Army leadership is committed to funding the Guard up to their congressionally authorized end strength of 350,000. However, funding cuts reduced the ARNG's budget by $789 million in fiscal year 2007 budget. How, specifically, does the Army plan to make up for this shortfall in order to fully fund the authorized 350,000 end strength?

Mr. HALL. The Army is committed to funding the ARNG up to the 350,000 end strength level in fiscal year 2007 and is in the process of identifying sources to meet this commitment which includes a supplemental request and closely monitoring the recruiting efforts. Efforts are ongoing regarding the equipment/investment (procurement) restoral and the total dollar amount depends on the final outcome of force structure adjustments.

[Whereupon, at 3:17 p.m, the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2007

TUESDAY, APRIL 4, 2006

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

CONTINUATION OF HEALTH BENEFITS AND PROGRAMS

The subcommittee met, pursuant to notice, at 2:34 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: Charles S. Abell, staff director.

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

Minority staff members present: Jonathan D. Clark, minority counsel; Gabriella Eisen, research assistant; and Gerald J. Leeling, minority counsel.

Staff assistants present: Benjamin L. Rubin and Pendred K. Wilson.

Committee members' assistants present: Meredith Beck, assistant to Senator Graham; Greg Riels, assistant to Senator Dole; and Eric Pierce, assistant to Senator Ben Nelson.

OPENING STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON [presiding]. As you might have observed, I'm not Senator Graham, I'm Ben Nelson. Senator Graham has been delayed for a few minutes and he's asked me to go ahead and start the hearing today.

This is the continuation of the hearing on military health care. As I indicated in the first session of this hearing, one of the most significant issues the Personnel Subcommittee will address this year is the Department of Defense (DOD) proposal to increase health care premiums and annual deductibles for retirees who are not yet eligible for TRICARE for Life.

This is an emotional issue for many military retirees. Throughout their military careers they were told a significant portion of their compensation for service was a generous health care benefit during their retired years. They based career plans, as well as re-

tirement plans, on the promise of an affordable health care benefit based on the fee structure in existence for the last decade.

Now that doesn't mean that reasonable adjustments can't be accommodated. While we can't dismiss legitimate concerns of our military retirees, we do have an obligation to make sure that we can sustain this excellent health care benefit for those who have already retired, for those who are serving now, and for those who are yet to serve. This will require a careful balancing of interests.

I share the Department's concern about the increasing cost of health care. This is also a concern for our society at large. However, the DOD has some special considerations to take into account when attempting to change a health care benefit during a time of war. If we don't do this right, the increases will be perceived as a reduction, not an earned benefit, and may adversely affect recruiting and retention. This is a consequence that would be extremely difficult to reverse and one we cannot afford.

Service Personnel Chiefs have been telling us for some time that one of the main challenges to successful recruiting is the lack of support for military service by influencers. These influencers include parents, teachers, guidance counselors, and coaches. Those who have served in the military, especially retirees, are very significant influencers. If military retirees believe that the government has reneged on a promise, an earned benefit, can we count on them to promote military service by the young people and in their sphere of influence?

I think we also need to understand the impact these proposed increases will have on those who are serving today. Will these proposed increases, if enacted, have an effect on the family decision to remain in the military? Will they start to question what other benefits might be changed that would have an impact on their retirement plans? Among other things, I plan to ask the military leaders whether they've attempted to ascertain how this proposal is viewed by currently serving military personnel and their families.

I support the call and the conclusion by Senator Graham for an audit by an independent agency to make sure that we're all working from a common understanding of the true cost of the current health care system before we start changing it. I'm concerned about singling out retirees under the age of 65 to carry the full burden of controlling cost without considering cost increases attributed to other categories of beneficiaries of the benefit. I also agree that we should carefully examine the feasibility of the many ideas for efficiency presented by witnesses at the last session of this hearing.

So, with that, I'm eager to hear what our witnesses have to say this afternoon. We will hear the chairman's opening statement when he arrives here in the next 10 or 15 minutes.

Dr. Chu.

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

Dr. CHU. Senator Nelson, it's a privilege to be here this afternoon and have this opportunity for dialogue on the military health system (MHS), its performance and, specifically, our proposal to ensure that its excellence can be sustained in the years ahead. The country, in my judgment, has every reason to be proud of its MHS.

It's a system that has transformed itself over the last decade or so. You can see the product of that transformation, the extraordinary care given those who were wounded in the current conflicts in Iraq and Afghanistan. You can see the outcomes that system produces in the high survival rate of those who do receive wounds. You can see that outcome also in the record low of disease and non-battle injury rate among our troops. That is an extraordinary set of accomplishments.

Our health benefit has been transformed as well in terms of the quality of product that it delivers. I can remember a period when TRICARE was not a brand name to be proud of. It is now a brand name that we can take great pride in. Indeed, it is a vote of confidence that Congress has been insistent in adding communities to this benefit over the last 2 years. It has been voted, as you may be aware, by an independent survey of beneficiaries themselves, as the best health care plan of its type in the country and it has won that accolade over the last 3 years.

The issue before us is how do we sustain that success? This has been a costly trajectory. Health care in the DOD consumed about 4.5 percent of the Department's budget in the early 1990s. In the President's budget request in front of Congress this year for fiscal year 2007 it will, if you enact it as proposed, consume about 7.5 percent of that total. Our projection is that by 2015, if we leave the rules of the game as they now exist in place, health care will consume 12 percent of the Department's budget. We do not believe that is sustainable. I don't think any external budget expert would agree that that is sustainable. Something will give, something will break, and what will break most likely is the quality of the program that we deliver.

We are committed to making the program more efficient. A great deal has already been done in that regard and Dr. Winkenwerder is prepared to address those issues as are my fellow witnesses. We would look forward to further discussion of how we plan on further efficiency improvements—challenges we have given the medical establishment in terms of doing things better, doing things at lower cost, while maintaining the quality of the outcome that is achieved.

The Department has already had to transfer, in the last two budgets, substantial resources from elsewhere within its total top line to the MHS in order to sustain this program and much more will be needed if the budgetary figures I described a moment ago were in fact to pertain. In our judgment we have the chance, or a window of opportunity, to put the program on a basis that is sustainable for the long run. It is not really to change what was promised to our beneficiaries 10 or 15 years ago when TRICARE was inaugurated. It was with a premium for TRICARE Prime. At that time, beneficiaries bore over a quarter of the total cost faced by the system. Because we have kept those rates near constant or have reduced them in this period of time, the typical beneficiary now pays only 12 percent of the total cost of the program.

If we were to proceed with the changes that have been outlined we would change it only to 14 percent or so of the cost of the program. We think that's a modest change. It is in percentage terms a significant change and we can understand the reactions that, therefore, occur. We think it is affordable in the larger context. We

try to make sure it is affordable by differentiating for the first time the fees charged to officers from those charged to more senior enlisted retirees from those charged to retire at the grade of E–6 or below.

We focused on the under-65 retirees because when you look at the entire picture that seemed the fairest way to go about it. We are troubled, frankly, by the trend that has developed in the last several years in which private institutions and State and local governments are encouraging the migration of their employees away from their own health insurance programs toward TRICARE, shifting costs to the DOD. It's not clear to us that that is intended by the country as the purpose of the TRICARE program—essentially to subsidize these other organizations.

We believe sustaining the quality of the benefit—and that truly what's at issue is sustaining the quality of the benefit over time by ensuring it has adequate financial resources to carry out its mandate—is a critical retention issue. If our Active Force believes that because of the financial constraints that would otherwise be imposed, we cannot sustain the quality of health care to which they have properly become accustomed, that will be a retention issue. So this is an immediate retention problem for us to get this right, to be sure that each community bears its share of the burdens that are involved and put the program on a sustainable basis for the long run.

Dr. Winkenwerder.

STATEMENT OF WILLIAM WINKENWERDER, JR., M.D., ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS

Dr. WINKENWERDER. Thank you, Dr. Chu, and thank you, Senator Nelson. I appreciate your leadership and your very close attention and interest to this issue.

The performance of the military medical personnel in battlefield medicine and our hospitals and clinics around the world has been inspirational. It's really been an incredible experience for me as a physician, and former practitioner, to go out and visit with our people and to see the really great work that they're doing and the impact that that is having on so many lives, including so many families. As the principal manager and fiduciary for this program, as I've shared with my surgeon general colleagues and other leaders across the Department, that is what I want to see continue for the long term. I want to see that great capability and all the things that are needed to continue to improve it, like electronic health records, advanced research, and new treatments and new drugs and so forth continue.

At the same time, we have a great health benefit as has been noted, and that's important to sustain as well for the family members, for the servicemembers themselves, and for our retirees, who deserve an absolutely outstanding benefit. It has indeed been a real sense of satisfaction to see that benefit in the performance and the quality, and the service and satisfaction and really very quantifiable measures continue to improve, so that I know that we're getting a better and better result with each year that passes.

However, as Dr. Chu has noted, we are challenged by a really major issue looking out into the long term and that has already

begun to have some impact now, and our budget has doubled from roughly $19 billion in 2001 to $38 billion this year. If we do nothing to change our current trajectory, which obviously we do not want to do, we would reach $64 billion by 2015. That is just eight budget cycles away.

The principal drivers of this trend are the expansion of benefit and expanded TRICARE coverage to more groups and populations. Overall health care inflation has been significant and we don't see that slowing significantly. It has slowed some the last couple of years, but I think the prudent projector of the future says that this is going to continue. We've also had reduced out-of-pocket cost shares and, of course, the increased number of military retirees who have chosen, for great value, to return to the MHS.

You've received the Department's recommendations to address this issue. They're focused on adjustments to TRICARE cost shares. I understand that is not a popular or easy thing to do. But I have received a sense of satisfaction and gratification from working together with people around this table, with the leaders of the Services, with General Pace, then Vice Chairman Giambastiani, and other leaders to put this together. We think this is our best proposal. We certainly are open to ideas and have met even with many groups, many individuals, and Members of Congress since introducing the proposal. So we look forward to continuing that dialogue. We believe that what we have put forward is a good proposal. I also appreciate the time you and Senator Graham invested in this issue, because your leadership on this is important to help us get moving and moving forward.

We are projecting about $11 billion in savings over the 5-year period from 2007 to 2011. About $2 billion of that is increased revenue, if you will, about $1 billion is in reductions in utilization that we can safely project from studies. Another $300 million is the change in patterns in terms of using more generics and mail-order pharmaceuticals. The third source, and a significant source, about $7 or $7.5 billion is on assumptions that have been made with regard to the numbers of people, retirees that would use the system versus the current numbers. I know those projections are open to scrutiny. We would encourage that, we have nothing to hide. We believe they're conservative and we welcome that look from as many as would like to see about the realism of those projections.

Let me mention one other thing in terms of the actions we're taking. We will talk today and be glad to answer questions about all the different things we're doing to save money and to manage efficiently and there are some real opportunities there going forward that I want to emphasize. One area that is important that we would appreciate support from Congress is in the area of pharmaceuticals and the Federal pricing issue.

I want to emphasize that, because the cost impact is so considerable. Unfortunately, the pharmaceutical industry and their representatives have refused to provide discounts to the Department on drugs dispensed in the retail sector and they filed suit against the Department, challenging our clear authority. We're currently owed, today, over $450 million in discounts. In other words, our budget issues would be relieved by that much today if we had what we think is due to us. We are accruing bills, so to speak, that we

believe are due to us to the tune of about $400 million a year. That is a considerable amount of money. While this is all tied up in court, this makes our challenge even more considerable.

So let me just close by saying our system has and continues to deliver superlative care to servicemembers, their families, and our retirees and citizens around the globe. We're committed to sustaining this great benefit for generations to come. I look forward to questions. Thank you very much.

[The joint prepared statement of Dr. Chu and Dr. Winkenwerder follows:]

JOINT PREPARED STATEMENT BY HON. DAVID S.C. CHU AND HON. WILLIAM WINKENWERDER, JR.

Mr. Chairman, distinguished members of this committee, thank you for the opportunity to discuss the Military Health System (MHS). Today, the Armed Forces of the United States have more than 275,000 service men and women deployed around the world in support of our national security commitments, including those serving in Afghanistan and Iraq. The Department of Defense (DOD) is firmly committed to protecting the health of these and all servicemembers, before, during and after their deployment and to our other health care beneficiaries, who now number more than 9 million.

The Fiscal Year 2007 Defense Health Program (DHP) funding request is $21.4 billion for Operation and Maintenance (O&M), Procurement and Research, Development, and Test and Evaluation Appropriations to finance the MHS mission. We project total military health spending to pay for all health-related costs including personnel expenses, and contribution to fund retiree health costs, to be $39 billion for fiscal year 2007.

TRANSFORMATION

Given the complexities we face, and the nature of our national security threats, we must embark on transformational change—specifically, we must transform our forces, the way we conduct business, our medical benefit, and our facilities and information infrastructure. The transformation process is designed to provide the Armed Forces with world-class operational medicine capabilities while delivering the outstanding TRICARE benefit to our beneficiaries. Secretary Rumsfeld has described transformation as "a process that shapes the changing nature of military competition and cooperation through new combinations of concepts, capabilities, people and organizations that exploit our Nation's advantages and protect against our asymmetric vulnerabilities to sustain our strategic positions, which underpin peace and stability." The entire Department is participating in a transformation process to make the U.S. military an elite fighting force that is both efficient and effective.

Military medical transformation is shaped by the recommendations for the MHS contained in the Quadrennial Defense Review (QDR), Medical Readiness Review (MRR), and the Base Realignment and Closure Commission (BRAC). In addition, we also must address a health benefit whose long term costs may risk our ability to deliver high quality and customer focused health services.

The QDR is conducted every 4 years to evaluate the strategies and processes of the DOD. For the MHS, it gave us the unique opportunity to review our medical mission and determine how we can better support the Department and our beneficiaries. In this process, we reviewed our manpower, infrastructure, business practices, and our health care benefit. We have been provided a once in a lifetime opportunity to refine the MHS and shape the future MHS into the premier health care system in the world. The QDR allows us to address the shortcomings of the MHS, and sustain the TRICARE benefit over the long term.

We have established the Military Health System Office of Transformation to help guide and coordinate efforts through this dynamic period of change. This office is providing leadership, advice, and direction to those who are implementing our transformation objectives. Admiral John Mateczun, the deputy Navy Surgeon General serves as the director of this office. Representatives from each of the Services have joined him. This team will have a 2-year tenure to oversee and guide MHS transformation efforts at which time we anticipate that efforts will be undertaken by our Office of Strategic Planning and normal administrative structure.

TRANSFORMING THE FORCE

The MRR is the component of the QDR that reviewed our medical readiness posture and options for our future force structure. The three pillars of Force Health Protection drive the assessment of capability required for a future force that will possess the following: Service capability, interdependent and integrated forces, and joint options for operational medical requirements. The Medical Readiness Capabilities Group developed a current 'as-is' inventory of Departmental medical readiness capability and identified future capabilities to support the comprehensive concept of joint force health protection. The Casualty Estimation and Medical Risks Group performed war time casualty modeling using the Department's approved scenarios. The Metrics and Capability Needs Group has developed an analytical framework to support the determination of capability needs for resource programming. The Medical Readiness Resources Group analyzed and developed resource requirements from peacetime transition to contingency operations. The results of these reviews call for us to develop and adopt minimum standards across the Services for personnel, training, and capabilities. We are looking to shape our medical force to be more joint and interdependent as it supports the 21st century missions of our military.

TRANSFORMING THE BUSINESS

Our new health care contracts, which we fully implemented in fiscal year 2005, use best-practice principles to enhance quality of care, emphasize patient safety, improve beneficiary satisfaction and control private sector costs. Civilian contract partners must manage enrollee health care and can reduce their costs by referring more care to medical treatment facilities (MTFs). In concert with these new contracts, and the implementation of the prospective payment system for military facilities, we need the flexibility to move funds between direct care and private sector care. Current restrictions on funding, imposed by Congress, adversely affect MTFs as well as care in the private sector. We urge members of Congress to authorize the MHS to manage our funds as an integrated system, which will allow funds to flow on a timely basis to where care is delivered.

With this flexibility in funding, we intend to set the budgets of MTFs on workload output such as hospital admissions, prescriptions filled and clinic visits, rather than on historical resource levels such as number of staff employed, supply costs, and other materials. In addition, our hospitals will manage their force health protection and health care delivery missions as a comprehensive whole using a single set of performance measures. We are in the second year of a planned 4-year transition to this new prospective payment system. It provides incentives and financial rewards for efficient management. Underpinning all of the transformation of the business effort is our evolving MTFs business planning process being implemented by the Services.

Finally, all of our activities in the MHS are continually prioritized, evaluated, and measured through a constructive process using the balanced scorecard. The Services' medical leaders together with senior staff from TRICARE and Health Affairs work together to manage this process.

TRANSFORMING THE INFRASTRUCTURE

Three significant initiatives, BRAC, DOD/Department of Veterans' Affairs (VA) Sharing, and the United States Army Medical Research Institute of Infectious Diseases (USAMRIID) recapitalization, will allow us to transform our infrastructure. The BRAC recommendations will improve use and distribution of our facilities nationwide, and affect health care delivery and medical training across the MHS. The consolidation of medical centers in the National Capital Area and San Antonio will improve operations by reducing unnecessary infrastructure, rationalizing staff, and providing more robust environments to support graduate medical education. In some areas, we expect to significantly enhance care by providing services closer to where our beneficiaries reside, like at Fort Belvoir, Virginia. By contrast, in smaller markets, MHS facilities will cease to provide inpatient services and instead focus on the delivery of high quality ambulatory care. The consolidation of medical centers and the elimination of inpatient services at smaller facilities will produce a stronger and more efficient MHS. The BRAC recommendations will bring most medical enlisted training programs to Fort Sam Houston. As a result, the MHS will reduce its overall technical training infrastructure while strengthening the consistency and quality-of-training across the Services. BRAC is a forcing function for us. Key to our success in BRAC is the creation of sound planning principles to shape these new structures in ways that are joint, interoperable, non-redundant, and effective. We are truly shaping our infrastructure and our future.

Another substantial change to the MHS infrastructure is the development of joint facilities as a result of increased collaboration with the VA. The most visible example today is at Naval Hospital Great Lakes, where the pressing requirement to replace an aging and oversized hospital has been met by building a new outpatient facility at nearby North Chicago VA Medical Center. This facility will have an innovative governance and integration plan, which was developed locally, and will allow both Departments to become more efficient and cost effective while improving services to beneficiaries of both systems.

Finally, the aging and overcrowded facilities at USAMRIID will be replaced with a cutting edge, modern research facility that will continue to produce medical countermeasures to the world's deadliest diseases. The new USAMRIID will serve as the cornerstone of the emerging National Biodefense Campus at Fort Detrick, Maryland, which is currently under development with the Department of Homeland Security and the National Institute of Allergy and Infectious Diseases. We are also planning for a replacement facility to support the U.S. Army Institute of Chemical Defense at Aberdeen, MD, the Nation's premier center of excellence to identify and develop medical countermeasures for chemical warfare agents. The transformation of our physical infrastructure will help us meet the demands of the evolving war on terrorism and the potential threats we face today.

TRANSFORMING THE BENEFIT

An issue we must address is the rising costs of health care. Put directly, we need help from Congress to sustain our benefit over the long term. Our program has essentially doubled in size in the past 5 years, from about $19 billion in 2001 to $38 billion in 2006. Further, we estimate that our expenditures for health care could be $64 billion in 2015, approximately 12 percent of the Department's budget. This rapid growth in cost clearly puts the sustainability of our health benefit at risk. The facts show that the expansion of TRICARE, high health inflation, the reduction in beneficiary cost shares, and sharp increase of usage by our retirees under 65 is responsible for this growth.

In 1995, beneficiaries paid 27 percent of total health costs; today they pay 12 percent of total health costs. We believe that it is absolutely essential to achieve a financial balance between the government and individual's care contributions closer to when TRICARE was inaugurated 11 years ago. Our plan to increase cost sharing would ask retirees under 65 to pay higher premiums and co-payments for health care coverage. These plans would have three tiers with increases for junior enlisted retirees substantially less than those for officers. Furthermore, after a 2-year transition, beginning in fiscal year 2009, these increases would be indexed to the average percentage increase in the Federal Employees Health Benefit Program (FEHBP) premiums. In addition, we propose to also change pharmacy co-payments, for all beneficiaries except Active-Duty members, to encourage use of mail-order and MTF pharmacy refills and generic products, when appropriate. We also ask that Congress clarify to those who oppose the Department our legal authority to obtain Federal pricing discounts for prescriptions obtained at retail pharmacies. To implement these changes to sustain our invaluable benefit, we need help from Congress.

We estimate that if our proposed changes are implemented the department will reduce costs a total of $735 million in fiscal year 2007, and a total of $11.2 billion from fiscal years 2007–2011. The total includes both premium/deductible changes and the pharmacy program adjustments.

We will have $249 million in expected cost reduction in fiscal year 2007 from increasing deductibles and from instituting annual enrollment fees for TRICARE Extra and Standard and indexed to the annual rate of change in average premiums of the FEHBP. Another $329 million is from increased annual enrollment fees for TRICARE Prime, also indexed to the annual rate of change in average premiums of the FEHBP.. There is $157 million in expected savings from the Pharmacy co-payment adjustments. Of these proposed benefit changes, we believe that only the implementation of the annual TRICARE Extra/Standard enrollment fees and increased deductibles require legislation.

In the ongoing discussions with the beneficiary organizations regarding our recommendations to increase select cost-shares, they have voiced concern that our initial focus should first be on "internal efficiencies" that can be gained before measures are taken to increase cost-shares. They are correct that this should be the first step. We have implemented a number of actions in the last several years designed to slow the health care cost increases. These cost saving initiatives have been very successful, and yet they are insufficient in addressing all of our cost drivers. We will detail these initiatives in this statement, and also discuss our additional rec-

ommendations to sustain quality and the overall health benefit while properly managing costs.

Our primary cost savings initiatives reduced defense health care costs by $419.1 million in 2002, and we target savings of $973.3 million in 2007. The key program initiatives that have led to these savings are:

1. the use of the Federal supply schedule to lower pharmacy costs,
2. new private sector care TRICARE contracts that reduced administrative costs,
3. an increase in VA and the DOD sharing of facilities, capabilities, and joint procurements.
4. the implementation of business planning tools to help local military hospital and clinic commanders identify efficiencies and optimize their facilities, and
5. the introduction of new prime vendor agreements to lower costs of MTF medical and surgical supplies.

As we continue these cost reduction efforts, we have established annual saving targets of 3–5 percent of our annual O&M budget.

PHARMACEUTICAL MANAGEMENT

In June 2004, the Department redesigned our pharmacy programs into a single, integrated program. This reorganization allows us to more efficiently and effectively manage this $5 billion per year program. We have achieved prescription drug cost savings through a number of means:

Joint DOD/VA Purchasing

We have successfully partnered with the VA in an ever-expanding joint purchase program for prescription drugs. In 2004, this program saved more than $138 million; and we project savings of almost $200 million in 2007.

Administrative Efficiencies

We have a single contractor providing both mail-order and retail pharmacy network services to our beneficiaries.

Federal Pricing

We currently use Federal pricing for mail-order and MTF pharmacy services, which provides DOD with the lowest prices for prescription drugs. We strongly believe Federal pricing authority extends to the prescription drugs dispensed to military beneficiaries through our pharmacy retail network. The pharmaceutical industry disagrees, and has worked to deny us this potent cost saving tool. This issue is now in the courts; we hope to have a decision later this year. We estimate that we would save an additional $251 million in 2007 based on the extension of Federal pricing to our retail network, assuming the court agrees with our argument.

In our fiscal year 2007 budget, we propose to adjust beneficiary cost-sharing for certain categories. Specifically, we propose to eliminate patient cost-shares for generic drugs obtained through our mail-order pharmacy (the current cost-share is $3); and to increase cost-shares for generic and brand-name formulary drugs obtained through the retail network (generic cost-shares are proposed to increase from $3 to $5; brand-name drugs from $9 to $15). Our objective is to provide our beneficiaries with a greater economic incentive to use the mail-order venue, where costs are lower.

We will continue to look for ways to improve DHP cost savings in the pharmacy program, and we are now developing utilization management programs that can further increase our annual DHP savings.

TRICARE CONTRACTING INITIATIVES

In 2005, we implemented the new TRICARE contracts, reducing 7 contracts to 3, reducing 12 geographic regions to 3, and reducing the number of contractors from 4 to 3. This program simplification led to significant administrative savings, and streamlined the bureaucracy. In fiscal year 2005, we saved $190 million from these efforts, and we forecast savings of $198 million for fiscal year 2007.

We added financial incentives for improving beneficiary satisfaction for the contractors, and ensured contractors are financially rewarded for care delivered in the private sector.

One source of the savings was to reduce administrative costs in our TRICARE contracts, over $125 million saved in fiscal year 2005, and we project this trend to continue throughout the life of these contracts.

We have undertaken a benchmark analysis of our administrative costs to administer the TRICARE program, and our "per member per year" administrative cost compares very favorably with private sector experience—approximately $225 per member per year. For the next series of TRICARE contracts, we will build upon these efficiencies and continue to achieve greater administrative and utilization savings.

MILITARY TREATMENT FACILITIES EFFICIENCY INITIATIVES

We also changed how local military medical commanders are incentivized by providing them with the responsibility for cost-effectively managing care delivered to patients in military hospitals and clinics. We have further established a performance-based model, assessing patient outcomes and provider productivity against private sector benchmarks (adjusted for military readiness requirements). This year—fiscal year 2006—represents our first year under this model and we have targeted savings at $94 million in 2006, followed by savings of $259 million in 2007.

In addition to implementing more efficient practices within MTFs, we will also begin to bear savings from the BRAC activities with an estimated savings of $40 million in 2007.

Of course, we maintain that even greater resource savings can be achieved through a "military-to-civilian conversion" for thousands of medical positions that are needed but can be performed by civilian employees. We have presented this plan to Congress, and are hopeful for your support of that plan this year.

REGIONAL SUPPLY STANDARDIZATION

The MHS has worked aggressively to negotiate preferential pricings with preferred medical supply vendors across the country. Our savings continue to grow from $9 million in 2002 to a projected savings of $28.3 million in 2007.

In addition to these efforts, we have also begun several innovative pilot programs using private sector disease management and behavioral health to further reduce costs and utilization. These programs are in their early stages, and we cannot project savings at this moment.

COST SAVINGS SUMMARY

In 2007, the sum total of our major cost savings initiatives will total $973.3 million or approximately 4.5 percent of our O&M budget.

Although we are pleased with the actions we have undertaken to reduce inefficiencies and incentivize both military and private sector contractors to delivery quality, cost-effective care, these actions alone are not sufficient to reduce the explosive cost growth the Department has experienced over the last 5 years or the expected future cost growth.

We recognize that ours is a complex system with many variables, and that savings estimates, though conservative, cannot be predicted precisely. But not addressing the growing differential between private sector and DOD out-of-pocket cost shares will certainly increase future costs to the Department.

We have solicited the input and recommendations of the beneficiary organizations who serve our military families and retirees. We welcome their engagement with us on the best approaches to reduce our cost growth. They have certainly identified additional areas for us to investigate for cost savings, and we are committed to evaluating their proposals.

The retired military servicemembers have indeed earned their health care benefits. We are committed to ensuring that TRICARE remains the finest health plan in the country. Our MHS has and continues to deliver superlative care to our servicemembers, their families, our retirees, and citizens around the globe in their hour of need. In order to sustain this benefit, we must ensure resources are available for continued investment; aggressive actions are continued to achieve internal cost savings; and the cost-sharing provisions are adjusted to reflect the cost of health coverage in 2007, not 1995.

We are committed to sustaining this great system for generations to come, and with this combination of internal efforts and rebalanced cost-shares, we believe that we will place the MHS on a firm, long-term foundation for continued success.

RESERVE COMPONENTS HEALTH BENEFITS

At your direction, we are implementing the new health benefits that extend coverage to members of the Guard and Reserve. We have been providing and will continue to provide a great benefit to them. We have 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 implemented the TRICARE Reserve Select (TRS) coverage for Reserve component personnel and their families mandated in the National Defense Authorization Act (NDAA) for Fiscal Year 2005, and over 26,000 reservists and their families are enrolled. We are now working to implement the expanded TRS 50/85, as mandated in the NDAA for Fiscal Year 2006, which will be effected on October 1, 2006.

BATTLEFIELD HEALTHCARE SUCCESS

As health care providers to the men and women of our Armed Forces, we are continually looking for medical advances that can save lives, especially in combat. Today, military medical personnel are saving hundreds of lives that previously would have been lost on the battlefield. Better training, advanced equipment, and talented soldiers, sailors, airmen, and marines also contribute to this success. Fewer than 3 percent of wounded servicemembers who make it to a source of medical care, die of their wounds. This is the lowest figure in the history of warfare. On its own, this milestone is a remarkable accomplishment. This success is achieved by the proficiency and professionalism of our medical personnel who have advanced battlefield medicine and medical transportation to new levels of capability. Our people likewise do an extraordinary job preventing illnesses and maintaining health. This progress is mirrored in our disease and non-battle injury rate that is about 4 percent in Iraq—rates which also are the lowest in military history.

IMPROVING MENTAL HEALTH SERVICES

Despite these historically low rates, the DOD continues to seek better ways to care for our servicemembers. During the past decade, we have learned valuable lessons. Among these lessons we include identifying and gaining a better understanding of the health effects of deployments and operations; we are happy to report that the Department has made great progress in these important areas. To date in the current conflict, servicemembers have completed more than 1 million pre- and post-deployment health assessments. Nearly 90 percent of this information is collected and transmitted to an electronic database. This information helps us to focus individuals' follow-up care and treatment, ensures our people get the care they need, and assists the Department with its medical planning efforts.

Another important lesson is that the period of greatest need for mental and family readjustment support may be weeks after returning home. With this in mind and in consideration of the potential for physical health issues to arise once servicemembers return, we directed an additional post-deployment health assessment—a follow-up program that expands upon our previous efforts. We recognize that no one who goes to war remains unchanged. However, not everyone is affected in the same way and not everyone has mental health or readjustment issues. But some, a minority, do have health issues, and their health is our concern. This new assessment includes a short questionnaire to be filled out by all servicemembers—including reservists and guardsmen, 2 to 6 months after they have returned home. Servicemembers with health concerns are referred to a health care provider for evaluation and assistance. The intent of this program is to help determine the health status or personal situation of the servicemember with a focus on discovering any readjustment issues or problems. To get to the heart of issues, counselors ask such questions as: "How are you doing"? "How is your family"? If things are not well, we want our servicemembers to know that help is available. We believe that with this new disciplined and caring process, we can reach those who may need help and make a real difference in their recovery and reorientation to home life. There remains a common, perception by some in our country—a stigma—regarding those who seek mental health services. We believe that through this new, follow-on reassessment tool, we reduce this "stigma" as an issue or barrier to needed care.

To ensure program success and smooth integration into existing processes, small scale implementation at high-deployment platforms began in June 2005. Lessons learned from that small scale implementation served to inform our successful program deployment, which began in January 2006. We continue implementation with units scheduled for return deployments and also based on Service identification of highest needs.

MILITARY VACCINE PROGRAM

The Department has programs to protect our servicemembers against a variety of illnesses. One important program is the military vaccine program; we believe there is a real threat of smallpox and anthrax used as potential bioterrorism weapons against our soldiers, sailors, airmen, and marines. To date, with vaccines we

have protected more than 1.3 million Department members against anthrax spores and over 875,000 against the smallpox virus. These programs have an unparalleled safety record and are setting the standard for others in the civilian sector. We worked with the Department of Health and Human Services, the Food and Drug Administration (FDA) and the Court to restart the important anthrax program, after it had been temporarily halted by a Federal judge. Our servicemembers deserve the protection the FDA-licensed anthrax vaccine provides, due to the ongoing, real threat posed by anthrax.

SHARING INITIATIVES WITH VA

As we continue to seek ways to improve the health care for our beneficiaries, we constantly explore new avenues of partnership with the VA. We have established 446 sharing agreements covering 2,298 health services with the VA and in fiscal year 2005, 136 VA Medical Centers reported reimbursable earnings during the year as TRICARE Network providers. This is an increase of 59 percent over the previous year. Every day we collaborate to further improve the health care system for our servicemembers; we have substantially increased joint procurement, we are working to publish jointly used evidence-based clinical practice guidelines for disease management to improve patient outcomes. As I mentioned, we are also working to establish the first Federal health care facility with a single management structure in North Chicago.

We are committed to working with the VA on appropriate electronic health information exchanges to support our veterans. The Federal Health Information Exchange (FHIE) is an important capability that enables the transfer of protected electronic health information from DOD to VA at the time of a servicemember's separation. We have transmitted messages to the FHIE data repository on more than 3.2 million unique retired or discharged servicemembers. Building on the success of FHIE, we are now sending electronic pre- and post-deployment health assessment information to the VA. Monthly transmission of electronic pre- and post-deployment health assessment data to the FHIE data repository began in September 2005 and has continued each month since then. More than 515,000 pre- and post-deployment health assessments on over 266,000 individuals are available to VA. VA providers began accessing the data in December 2005. DOD plans to add post-deployment health reassessment information later this year.

Both the VA and DOD are committed to providing our servicemembers a seamless transition from the MHS to the Veterans Health Administration. DOD implemented a policy entitled "Expediting Veterans Benefits to Members with Serious Injuries and Illness," which provides guidance on the collection and transmission of critical data elements for servicemembers involved in a medical or physical evaluation board. DOD began transmitting pertinent data to VA in September 2005, and has since provided five lists with a total of 5,177 servicemembers while they are still on Active-Duty. Receiving this data directly from DOD before these servicemembers separate eliminates potential delays in developing a claim for benefits by ensuring that VA has all the necessary information to award all appropriate benefits and services at the earliest possible time.

AHLTA

DOD continues to build on the long history of transforming health care delivery through the use of information technology. After nearly a decade of investment, research, development, and pilot testing, a collection of leading edge health information technology applications are being fielded and implemented around the world to support all facets of the MHS. Our vision is to completely digitize our health care system. AHLTA was publicly unveiled in November 2005, marking a significant new era in health care for the MHS and the Nation. AHLTA is the DOD's global electronic health record and clinical data repository. It creates a comprehensive, lifelong, computer-based patient record for each and every military health beneficiary regardless of their location. AHLTA provides seamless visibility of health information across our entire continuum of medical care, giving our providers unprecedented access to critical health information whenever and wherever care is provided to our servicemembers and beneficiaries.

The system is secure, standards based, and patient centric, for use in our garrison based medical facilities and our forward deployed medical units. AHLTA provides our physicians with decision support and builds a single encounter document out of a team effort—linking diagnoses, procedures, and orders into one record.

AHLTA has been implemented at 87 of 140 planned MTF sites spanning 11 time zones worldwide, with 39,773 of 63,000 total users fully trained, to include 13,756 health care providers. DOD's Clinical Data Repository is operational, and currently

contains electronic clinical records for over 7.50 million beneficiaries. AHLTA use continues to grow at a significant pace. To date, AHLTA has processed 15,005,274 outpatient encounters and is currently processing over 75,400 patient encounters per workday. Worldwide deployment is expected to be completed by the end of calendar year 2006.

HUMANITARIAN OPERATIONS

The Department's medical assets provide unique capabilities not found elsewhere in the world. Our resources are critical in response to natural disasters and humanitarian issues that are a constant challenge to the world. We have been involved in humanitarian assistance in South Asia following the devastating tsunami, in Guatemala for landslides, and also very recently in the Philippines for landslides, and Pakistan to assist with the relief following their earthquake. The result of our collaborative humanitarian assistance is strengthened good will and trust between our Nation and those we assisted. Improving the image of the United States abroad through these efforts has been invaluable, especially in areas where negative images and propaganda have been widespread.

HURRICANE RELIEF

We also support disaster relief in the United States, in accordance with Emergency Support Function number eight of the National Response Plan. Under this support function, the Department of Health and Human Services is the lead agency, and when State and local resources request Federal assistance, we provide the assistance we have available in consideration of our other military missions. Our capabilities to provide support include health assessment, surveillance, personnel, supplies, patient evacuations, and delivery of emergency health care. Military medicine, because of our ability to provide health care and health-related activities in a very mobile fashion represent a vital part of this plan and its implementation operations. We coordinate and collaborate with our Federal partners to ensure the safety of the individuals involved in a national emergency and to provide health care to those affected by the devastation.

After Hurricane Katrina's landfall and breach of the levees, our Gulf Coast region faced an unparalleled and crippling disaster. In coordination with other Federal agencies, State and local governments, the capabilities of military medicine assisted in both Louisiana and Mississippi. We deployed over 2,000 medical personnel to the area. We moved more than 10,000 patients including more than 2,600 by air evacuation. Our medical personnel treated more than 5,500 people. We opened field hospitals and we sailed the U.S.N.S. *Comfort* to aid in the relief operation. Our medical personnel in coordination with the Department of Health and Human Services and the Centers for Disease Control and Prevention were heavily involved in monitoring the public health situation.

In addition to our support on the ground, we immediately considered how to ensure that our military beneficiaries who lived in the disaster areas and were displaced or adversely affected by Hurricane Katrina still receive their health benefits, especially chronic medications and recurring treatment procedures.

For Hurricane Rita, the lessons of Katrina were fresh and communication at all levels occurred 2 days before the storm hit. Jointly, we were able to assess capabilities and identify needed assistance. This analysis via teleconferences resulted in the military evacuating over 3,000 sick, infirm, and elderly individuals by military aircraft in less than 24 hours. The men and women of the MHS accomplished unprecedented work to save lives and help rescue those in need in the Gulf Coast region. I am very proud of these men and women who do so very much for this country.

CONCLUSION

The MHS has experienced another extraordinary year. We provided world-class health care to our deployed forces, particularly in Iraq and Afghanistan, we launched our new electronic health record AHLTA, we improved collaboration with the VA, we achieved clinical and quality improvements, we established new measures for protecting the force, we implemented a new TRICARE benefit for reservists, and we came to the aid of our countrymen and world neighbors in moments of disaster. Looking to the future, we will adapt to new challenges that face our Nation and our national security by building on today's achievements. Our future relies on the transformation efforts now underway to sustain our comprehensive benefit and to deliver the best health care in the world to the men and women who serve in our Armed Forces. Transformation will take years of hard work and dedication from every member of the MHS. We also require assistance from our military and civilian leaders as well as from Members of Congress if we are to place the military health

benefit on a sound financial foundation, thereby assuring its availability for future generations of military men and women and their families.

Our MHS—its personnel, health care capabilities, research, education, and training—is a national asset, and we are pleased to have the opportunity to shape and lead it. The men and women of the MHS work hard to protect, care for, treat, manage, and lead; their efforts reflect the American strength of will and character. Theirs is a most noble calling, the profession of medicine and the profession of the military; both professions of service and sacrifice. We must assist them by ensuring that the military health benefit, on the battlefield, in the air, at sea and at home, continues long into the future.

Sustaining The Military Health Benefit

SUMMARY OF PROPOSED CHANGES TO TRICARE BENEFIT

Enrollment Fee and Deductible Changes * Two Year Phase-In (FY07-08)			
	TRICARE Prime Annual Enrollment Fees	TRICARE Standard	
		Annual Enrollment Fees	Annual Deductible
	Retired Junior Enlisted (E-6 and Below)		
Current (FY 06)	$230/$460	$0	$150/$300
FY 07	$275/$550	$75/$150	$175/$350
FY 08	$325/$650	$140/$280	$185/$370
FY 09+	Adjusted		
	Retired Senior Enlisted (E-7 and Above)		
Current (FY 06)	$230/$460	$0	$150/$300
FY 07	$350/$700	$100/$200	$175/$350
FY 08	$475/$950	$200/$400	$185/$370
FY 09+	Adjusted		
	Retired Officers		
Current (FY 06)	$230/$460	$0	$150/$300
FY 07	$500/$1,000	$150/$300	$225/$450
FY 08	$700/$1,400	$280/$560	$280/$560
FY 09+	Adjusted		

** Applies ONLY to eligible retirees under age 65; no changes to active duty, active duty family members, or TFL*

Benefit Change Summary

- **No Fees for Active Duty**
- **No Changes for Active Duty Families**

For Retirees Under 65:

- **New Three Tier Fee Structure:**
  - Retired Junior Enlisted (E6 and Below)
  - Retired Senior Enlisted (E7 and Above)
  - Retired Officers
- **Increased Enrollment Fees for Prime**
- **New Enrollment Fee for Standard**
- **Increased Deductibles for Standard**
- **Prime and Standard Enrollment Fees adjusted using Federal Employees Health Benefit Plan (FEHBP) rates of inflation beginning in FY 2009**

Sustaining The Military Health Benefit

Changes in Pharmacy Co-payments *,**			
	Generic	Brand	Non-Formulary
	Current Co-pays		
Military Clinic	$0	$0	$0
Mail Order	$3	$9	$22
Retail	$3	$9	$22
	Co-pays in FY07 and after		
Military Clinic	$0	$0	$0
Mail Order	$0	$9	$22
Retail	$5	$15	$22

** 100% co-pay for a few certain medications*

*** Applies to ALL eligible beneficiaries, except active duty*

Pharmacy Summary

- No Fees for Active Duty

For ALL other beneficiaries (including over 65 TRICARE for Life retirees):

- No Co-pays in Military Clinics
- Zero Co-Pay for Mail Order Generic medications
- Increases in Retail Pharmacy Co-Pays
- 100% Co-Pay for a few non-covered medications

Senator BEN NELSON. The chairman has arrived.

STATEMENT OF SENATOR LINDSEY O. GRAHAM, CHAIRMAN

Senator GRAHAM [presiding]. Thank you, Senator Nelson. I apologize, it's one of those days. There are more things to do that you can get done. But you all never experience that, do you? [Laughter.]

Let's just start with this: I know what the hurdles are to go forward. We're trying to find a way to take care of the uniformed service problem, and that is you're competing between health care dollars and operational needs. I think most Americans understand we're not dealing with unlimited funds. The reason they understand that is because the money for State, local, and Federal Government comes from the same wallet. I think most Americans agree with the concept. If anybody deserves good quality health care, everybody deserves it, but if you're going to have to pick people that you really want to make sure are well taken care of medically, those who served in the military deserve the best we can provide them and because they have done some unique things for the country.

Now I would like, if you could, to address the idea that the health care escalation in terms of cost is real, is not going to stop, and will get worse, not better. I would like you, if you could, to address the idea that we're looking at making the program more efficient, because I don't want to ask for more money from our service retirees and other servicemembers until we've made this program efficient. If you could comment on those two concepts that would be a good place for us to start, then we'll get into specific details.

Everyone hasn't testified? I apologize. Who has testified?

Senator BEN NELSON. The two secretaries.

Senator GRAHAM. Let's hear from the people fighting the war, alright?

[The prepared statement of Senator Graham follows:]

PREPARED STATEMENT BY SENATOR LINDSEY O. GRAHAM

Good afternoon. The subcommittee meets today to resume consideration of defense medical programs for the men and women in our Armed Forces.

Our panel today is comprised of the Honorable Dr. David S.C. Chu, Under Secretary of Defense for Personnel and Readiness; the Honorable Dr. William Winkenwerder, Jr., Assistant Secretary of Defense for Health Affairs; General Richard A. Cody, Vice Chief of Staff of the United States Army; Admiral Robert F. Willard, Vice Chief of Naval Operations; General Robert Magnus, Assistant Commandant of the Marine Corps; and General John D.W. Corley, Vice Chief of Staff of the United States Air Force.

Gentlemen, we welcome all of you and look forward to your statements.

I am a believer in reform in order to sustain the highest quality health care benefit in the world for the brave men and women who volunteer to wear the uniform, for retirees, and for their families. This is a national commitment, and not a commercial insurance program.

We are faced with growing health care costs that could—if left unchecked—force decision makers to choose between operational needs and meeting our obligation to military retirees.

Our Government will spend $39 billion for health care benefits for military members and their families in fiscal year 2007.

According to the Department of Defense (DOD), health care costs have doubled in the past 5 years, and are projected to grow from 8 percent of the DOD budget today to 12 percent of the DOD budget by 2015.

According to DOD, in 1995, beneficiaries paid 27 percent of total health care costs, and today they pay 12 percent.

Fees for enrollment in TRICARE have not changed since TRICARE began more than 10 years ago—prompting at least one of our panel members, General Magnus, to testify: "DOD should have asked for congressional assistance much sooner."

I believe that we have to reconcile the exponential growth in health care costs with our responsibilities to our people and their families.

I also believe that we have to reconcile the numbers. As a starting point, we are going to ask the Comptroller General to audit the health care costs in the DOD to make sure we are all on the same sheet of music before we decide what the appropriate increases—if any—will be.

I believe that we can get started with reform this year, if we concentrate on the building blocks—understanding the numbers, agreeing on an index, and phasing in solutions that are fair.

You have my pledge—I will work to achieve these objectives, working together, with the senior military leadership and beneficiary organizations that are committed to constructive participation.

Gentlemen, all your prepared statements will be entered into the record.

Senator GRAHAM. The Army's the oldest Service, I guess we'll start with you.

STATEMENT OF GEN RICHARD A. CODY, USA, VICE CHIEF OF STAFF, UNITED STATES ARMY

General CODY. But I'm the youngest here, Mr. Chairman. [Laughter].

Thank you, Mr. Chairman, Senator Nelson.

I appreciate the opportunity to testify today about the DOD's sustaining the benefit proposal. On behalf of our Secretary, Dr. Harvey, and our Chief of Staff, General Pete Schoomaker, and approximately 1 million Reserve and Active component soldiers that compose our Army, more than 120,000 of them serving today in Afghanistan and Iraq, let me say I look forward to relating the Army's vision for protecting the tremendous health care entitlement we enjoy today and ensuring that the quality of health care will continue to be available to our retirees. I ask that my full written statement be submitted for the record and I'll keep my opening remarks short so we can focus on your questions.

The Army requires a robust military medical system to meet the medical readiness needs of Active-Duty servicemembers in both war and in peace, and to train and sustain the scope of our uniform physicians, our nurses, and our combat medics as they care for family members, retirees, and retiree family members. Therefore, we share the DOD's concern that the explosive growth and the health care costs jeopardize our resources not only to the MHS, but in other operational areas as well, especially while we are fighting this long war.

Let me emphasize that the service and the sacrifice of our soldiers and their families cannot be measured with dollars and cents. The truth is that we owe far more than we can ever pay those who have served, been wounded, and to those who have suffered a loss. But what we can honor is their commitment to our Nation by providing them a world-class medical system. Our promise to our retirees is the same, a lifelong health benefit that is worthy of their career of selfless service and the call to duty.

The Army believes that sustaining the benefit proposal allows us to sustain our medical readiness programs, continue to offer the best health care to our soldiers and their families, and fulfill our commitment to provide an affordable health care option to our military retirees while maintaining an operational Army. I want to em-

phasize that our soldiers—Active, Guard, and Reserve—continue to serve magnificently. On any given day approximately 12,000 Army medical department personnel are deployed around the world in support of the global war on terrorism, serving as goodwill ambassadors in humanitarian assistance, like we see in Pakistan, and training to support our Army for a variety of missions.

Our combat casualty care systems have performed remarkably well. We have the lowest died-of-wounds rate in this war than we've had in any other war. Ninety percent of those wounded survived and many returned to the Army fully fit for continued service. Our investments in medical training, medical equipment, facilities, and research, which you have strongly supported, have paid tremendous dividends in terms of preparing soldiers for the medical threats on the modern battlefield, to restoring their health and functionality to the maximum extent possible, and reassuring them that the health of their families is secure. In short, military medicine is absolutely an essential readiness program and an integral part of the quality-of-life for the United States Army.

I assure you, our soldiers, and our retirees and their families that the U.S. Army is committed to protecting the tremendous health care benefit we enjoy today and that quality health care will continue to be available to our retirees. With your help it will remain the peerless military force protection asset that it is today.

I look forward to your questions.

[The prepared statement of General Cody follows:]

PREPARED STATEMENT BY GEN RICHARD A. CODY, USA

Mr. Chairman, Senator Nelson, and distinguished members of the committee, thank you for the opportunity to testify today on the Department of Defense's (DOD) Sustaining the Benefit proposal. Military medicine is absolutely critical to the United States Army. During the past 5 years, military medicine has consistently exceeded all established measures of success—we have recorded the highest casualty survivability rate in modern history during combat operations in Afghanistan and Iraq.

The Army requires a robust military medical system to meet the medical readiness needs of Active-Duty servicemembers in both war and peace, and to train and sustain the skills of our uniformed physicians, nurses, and combat medics as they care for family members, retirees, and retiree family members. Therefore we share the DOD's concern that the explosive growth in our health care costs jeopardizes our resources, not only to the military health system but in other operational areas as well.

Let me emphasize that the service and sacrifice of our soldiers—and their families—can not be measured with dollars and cents. The truth is that we owe far more than we can ever pay to those who have served, been wounded, and to those who have suffered loss. We honor their commitment to our Nation by providing them with world-class medical care.

Expansion of TRICARE to the Selected Reserve in the National Defense Authorization Acts for Fiscal Year 2005 and Fiscal Year 2006 highlights the challenge presented to DOD by expanding benefits with limited resources. We are very concerned by the projections of cost growth in the Defense Health Program (DHP) over the next 10 years. This growth represents a very real threat to military readiness. Without addressing the issues, our health care costs will total approximately 12 percent of the DOD budget by 2015.

The Army fully supports the sustaining the benefit proposal for working age retirees, as it represents a reasonable approach to meeting the challenge of providing for our soldiers and the future of our force. After the proposal is fully implemented, TRICARE will still remain a very affordable option for our military retirees under the age of 65, with out-of-pocket costs for retirees still projected to be little more than half of the costs for members of the Federal Employee Health Benefits Program. The change merely begins to bring the cost share for working age military retirees in line with the same proportion it was when Congress created TRICARE.

The Army believes sustaining the benefit allows us to sustain our medical readiness programs; continue to offer the best available health care to soldiers and their families; and fulfill our commitment to provide an affordable health care option to military retirees. We applaud Dr. Winkenwerder's willingness to reach out to members of the military coalition to explore other alternatives to improve these proposals.

The Department has and continues to explore other opportunities to help control costs within the DHP. The 2005 Base Realignment and Closure decisions demonstrates action to improve the joint delivery of health care in both the National Capital Area and San Antonio, Texas. Recommendations to collocate medical training for all three Services at Fort Sam Houston, Texas and to collocate a number of medical research and development activities at Fort Detrick will allow for enhanced synergy, collaboration and cost effectiveness. The next step is to move beyond a collocation of these activities to implementation of a business plan that realizes a true integration of DOD's medical training and research activities.

The Army continues to support the development of a Unified Medical Command and is working closely with our sister Services and the Joint Staff to examine the full potential of this initiative. A fully functional unified command represents an opportunity to reduce multiple management layers within DOD's medical structure, inspire collaboration in medical training and research, and gain true efficiencies in health care delivery. These and other suitable changes that may be identified need to be made in conjunction with the sustaining the benefit proposal to ensure continued quality health care that is commensurate with the service and sacrifice of soldiers and their families.

Let me close by saying that our Army is an Army at war. On any given day, approximately 12,000 Army Medical Department personnel are deployed around the world in support of the global war on terrorism, serving as goodwill ambassadors in humanitarian assistance, and training to support our Army for a variety of missions. In the past 6 months Army medics have cared for approximately 2,825 combat casualties evacuated from Iraq and Afghanistan; deployed a combat support hospital, a medical logistics company, and several preventive medicine and veterinary teams in support of Gulf Coast hurricane relief operations; and deployed the Army's last remaining Mobile Army Surgical Hospital to support earthquake relief operations in Pakistan.

Our combat casualty care systems have performed remarkably. Ninety percent of those wounded survive and many return to the Army fully fit for continued service. Our investments in medical training, equipment, facilities, and research—which you have strongly supported—have paid tremendous dividends in terms of preparing soldiers for the medical threats of the modern battlefield; restoring their health and functionality to the maximum extent possible; and reassuring them that the health of their families is secure. We continue to care for nearly 400 amputees at Walter Reed and Brooke Army Medical Centers. Technology and medical care for amputees has advanced so much in the past 10 years that many of these soldiers, marines, sailors, and airmen will be able to remain on Active-Duty if they desire. In many cases, military medicine has been out in front of her civilian counterparts and is benefiting this Nation as a whole in the advances military doctors and technicians make. In short, military medicine is absolutely an essential readiness program and an integral quality of life program for the United States Army.

I assure you, our soldiers, and our retirees and their families, that the United States Army is committed to sustaining the tremendous health care benefit we enjoy today and that quality health care will continue to be available to our retirees. With your help it will remain the peerless military force protection asset that it is today.

Thank you again for inviting me to participate in this discussion today. I look forward to answering your questions.

STATEMENT OF ADM ROBERT F. WILLARD, USN, VICE CHIEF OF NAVAL OPERATIONS, UNITED STATES NAVY

Admiral WILLARD. Mr. Chairman and Senator Nelson, good afternoon and thank you for this opportunity to testify on our proposal to control the rising cost of health care. I, too, have a more lengthy written statement that I ask be submitted for the record and I'll keep my remarks short as well.

Navy medicine plays a multifaceted and integral role in the defense of this Nation. Our hospital ships are critical first responders to natural disasters, providing humanitarian relief both overseas

and here at home. Navy medicine provides our warfighters with the best combat casualty care in our history, beginning with Navy corpsmen who, alongside marines in Iraq and Afghanistan and inside ships all over the globe, are treating and saving marines and sailors as we speak. Lastly, Navy medicine continues to provide the exceptional health care benefit for our servicemembers and for their families.

Since TRICARE's inception in 1995, Congress and the DOD have expanded upon and improved our benefit and health care delivery system. Initiatives closed gaps in program coverage and improved access to care for millions of military beneficiaries. In so doing, contributed to the Department's recruitment and retention efforts.

However, while the benefit has expanded and improved, we have not evolved the cost-sharing that was fundamental to its long-term sustainment. As health care costs have grown dramatically for both DOD and the private sector, an unsustainable portion of the costs have been borne by DOD. Navy strongly supports the Department's effort to protect this vital program by making it fiscally sustainable for the long-term.

We assert the time to do so is now. For 11 years we have permitted beneficiary cost-sharing to remain static while we've attempted to find program efficiencies in TRICARE contracts, joint consolidations, millitary-to-civilian conversions within the medical community and administration. In the meantime, rising health care costs erode into Navy's readiness.

We're proud of and committed to world-class Navy medicine. A vital part of that program is the health care provision to our Navy retirees. We desire to continue to work with you to place their benefits back on sound fiscal footing in order to continue this service to meet the needs and the medical needs of generations of sailors to come.

Thank you for your time today and for your upcoming questions and I'll look forward to participating.

[The prepared statement of Admiral Willard follows:]

PREPARED STATEMENT BY ADM ROBERT F. WILLARD, USN

INTRODUCTION

Chairman Graham, Senator Nelson, and distinguished members of the subcommittee, thank you for this opportunity to testify about Navy Medicine and our exceptional health care benefit.

Navy Medicine's mission is multi-faceted. It is deployed globally, providing heath care in support of combat operations. It stands ready to respond to any number of humanitarian crises and natural disasters, and it continues to provide our sailors and their families with world-class heath care.

SUSTAINING THE BENEFIT

The Navy is proud of the exceptional health benefit and health care delivery system that Congress and the Department of Defense (DOD) have built and improved upon throughout the years. Since TRICARE's inception in 1995, both congressional and departmental initiatives have introduced significant program enhancements, including elimination of co-pays for Active-Duty families, reduction in retiree catastrophic caps from $7,500 to $3,000, and implementation of new prescription drug coverage. Thanks to improved care and access for millions of beneficiaries, these new benefits have made a positive contribution to our recruitment and retention efforts, and we wish to sustain them for the long-term.

In order for the Department to sustain the benefits that so many deserve, the long-term costs of the program must be contained. TRICARE benefits have been ex-

panded and implemented, however, there has been no change in beneficiary cost shares since 1995.

The DOD proposes to re-norm beneficiary contributions to proportions similar to when TRICARE was established. These changes will ensure continued access and quality of care enjoyed by our beneficiaries today. As Chairman Pace testified earlier this year, the Joint Chiefs have unanimously recommended that we re-norm the cost sharing for the health care benefit.

HEALTH CARE COSTS

As overall health care costs have grown for both the Department and the private sector, the expanding disparity in out-of-pocket costs between TRICARE and civilian health plans has led to a significant increase the overall proportion of costs borne by DOD.

In many respects, the rising costs in TRICARE are caused by factors that also affect the private sector—a sharp increase in the use and costs of prescription drugs; a corresponding rise in the use of new and expensive medical technology; and an increasingly aging population. Yet there are factors unique to TRICARE that have brought this problem to the forefront:

- Benefit expansion. While the private sector has curbed benefits and reduced obligations, TRICARE has moved in the opposite direction. We have added TRICARE benefits secondary to Medicare; added a prescription drug benefit for Medicare-eligible beneficiaries; reduced co-payments for Active-Duty families; reduced catastrophic caps for retirees; introduced a subsidized benefit for reservists and their families; and lowered costs for Active families in remote areas.
- Unchanged Out-of-Pocket Costs for Beneficiaries. While private sector and other government agencies have asked employees to cost-share, TRICARE has not. As a percent of health care costs per family, out-of-pocket costs for military families (Active and retired) have dropped over the last 11 years. Plus, in the case of Active-Duty families, we reduced costs in actual dollars by eliminating co-pays for outpatient care.
- Migration to TRICARE Coverage. For most of the 1980s and 1990s, the percent of retirees who used TRICARE as their primary source of health coverage remained relatively constant. However, we have witnessed a steady increase in the number of retirees and their families selecting TRICARE over other health insurance plans. In some instances, employers and State governments offer to pay TRICARE enrollment fees in lieu of enrolling these employees in their own plans—thereby providing substantial savings to the employer and significant cost increases to TRICARE.

The combination of the above factors has resulted in a dramatic increase in the health care costs borne by DOD. Those costs have doubled from $19 billion in fiscal year 2001 to $38 billion in fiscal year 2006. Analysts assigned to the Office of the Assistant Secretary Defense (Health Affairs) project these costs will reach $64 billion by 2015, about 12 percent of the Department's budget. This current rate of medical cost growth is unsustainable.

SOLUTIONS

In the interests of stemming the tide of rising health care costs, DOD and Navy have introduced more efficient practices within the Military Health System. Recent actions include a reduction in administrative costs through renegotiation of TRICARE contracts, standardization of medical supply requirements among the three services, closure of specialty clinics where there was insufficient patient population to maintain clinical skills, and pursuit of joint activities with the Department of Veterans' Affairs (VA). Though we will continue to seek such efficiencies, ultimately they will not be enough to sustain the military health care benefit.

In order to preserve that benefit for all of our deserving members, the Department is proposing that beneficiaries help share costs in the form of increased TRICARE enrollment fees. Current TRICARE Prime annual enrollment fees of $230 per individual and $460 per family have not changed since 1995. The Department proposes to increase these fees for retired officers to $700 per individual and $1,400 per family by 2008. In keeping with the general payscale, the increase for enlisted retirees would be less. Retired E–7 and above would pay $475 per individual and $950 per family, and retired E–6 and below would pay $325 per individual and $650 per family. Further increases in enrollment fees would be indexed to Federal Employee Health Benefits Plan (FEHBP) rates.

In addition to proposed cost sharing, we are incentivizing all TRICARE beneficiaries to obtain their prescriptions from the TRICARE Mail-Order Pharmacy Pro-

gram by reducing co-pays for generic drugs and increasing co-pays for drugs in the retail pharmacy program.

Importantly, our proposal will not impact Active-Duty troops or retirees over age 65, nor will it alter the annual catastrophic cap from $1,000 for Active-Duty family members and $3,000 for retirees. Furthermore, what we are creating with these proposed changes is a more predictable and certain future for military healthcare, which should enhance recruiting and retention.

CONTINUING HEALTH CARE FOR OUR NATION'S HEROES

The proposed increases in TRICARE fees reflect the Department's interest in sustaining the comprehensive health benefit we have today, while also ensuring the continued readiness, quality and outstanding customer service of the military health care system. Since we propose these changes during a time of war, we understand that we will be asking wounded and medically retired personnel to pay increased enrollment fees.

There is no way to put a dollar value on the sacrifice of those who have been killed or wounded in action, nor can we put a price tag on the sacrifices of their families. Yet we can value our commitment to these heroes, by continuing to provide them with a superior and lifelong health benefit. Our proposal is consistent with that commitment, and that commitment will never change.

That same commitment applies to our retirees. While it is possible that some of our retirees will opt for employer-provided insurance over TRICARE, the intent of our cost-sharing proposal should not discourage them from using the benefit they rightfully earned. Yet, over 80 percent of retirees under the age of 65 are employed, and more than two-thirds report access to employer insurance. Meanwhile the greatest area of program growth—namely, the increase in retirees electing TRICARE as their primary health coverage—has produced costs that are unsustainable to DOD. By re-norming costs between TRICARE and private health care plans, we aim to reduce what amounts to government subsidization of private employers.

Lastly, our proposal is based upon principles endorsed by the President, the Joint Chiefs of Staff, and military leadership. Foremost among them—Active-Duty members will not be charged for the health care services they receive. Also in keeping with those principles are proposed changes in enrollment fees and co-payments designed to help guide beneficiaries in their selection of the most appropriate, and most cost-effective health care options.

SUMMARY

Chairman Graham, Senator Nelson, and distinguished members of the subcommittee, on behalf of the men and women in uniform, I thank you for your commitment, your service and your continued support of the Armed Forces.

Navy honors the service and sacrifice of our Active-Duty members and retirees, as well as their families. Because of their service and sacrifice the Navy will continue to provide a truly outstanding health benefit for them, and we strongly support your efforts toward this shared goal. By guaranteeing the viability and affordability of that benefit far into the future, we will best serve those who protect our freedoms with their lives.

STATEMENT OF GEN. ROBERT MAGNUS, USMC, ASSISTANT COMMANDANT OF THE MARINE CORPS, UNITED STATES MARINE CORPS

General MAGNUS. Mr. Chairman, Senator Nelson, on behalf of the Commandant, General Mike Hagee, and the over 225,000 men and women in the Total Marine Corps Force, it is my pleasure to appear before you today, especially now that your marines, sailors, soldiers, and airmen that support them are at war.

Today we have over 30,000 in the combat zone in Operation Iraqi Freedom and Operation Enduring Freedom, of the 39,000 Active and over 2,500 Reserve marines deployed overseas. Your marines are performing magnificently due to your support and the continuing support of the American people. The costs are not measured in dollars alone.

From March 2003 until today the Marine Corps has sustained over 660 killed in action and over 6,500 wounded in action. The

outstanding medical support provided by sailors, airmen, and soldiers to our warfighters provides the best operational and combat medicine care that they could have possibly expected. It's resulted in the lowest disease, non-battle injury rate, and most importantly, the lowest death-to-casualty ratio in the history of warfare. Marines who are treated by our forward surgical companies have a 97-percent survival rate. It is unparalleled in the history of war and medicine.

A few points of emphasis I'd like to make to the subcommittee: The DOD does provide the finest health care in the world to our military, their family members, and to our retirees. It is a commitment that is important to them and one that we can and must sustain. To sustain this commitment we must address cost and how we finance it. As you have heard, the costs have increased markedly over the past 5 years, projections indicate that they will increase to over 12 percent of the budget by 2015.

I was privileged not too many days ago to listen to Panel I before this subcommittee, and Mr. Chairman, you were right. This is not just a business case problem. This health care issue is something that must be addressed. The care that we provide our Active-Duty, our Reserve, their dependents, and our retirees and dependents must be protected. To protect that we have to ensure that it is sustainable.

We know the Department should have updated the fee schedule many years ago. It has now become an urgent issue because we're seeing that without adjustment of fees, much as the rest of America is seeing with its health care costs, the support benefit will continue to require additional financing, financing requirements that are growing at a rate that far outstrips the real growth in the defense budgets that we have seen or that can be reasonably expected in the future.

The cost impacts of not being able to address the fee schedule will simply be borne by other areas of the defense budget. Those other areas include, literally, our manpower and our strength. That includes our investments in infrastructure such as barracks and in warfighting equipment. So both the current and future readiness of the force are dependent largely upon ensuring that this commitment that we must sustain and we will sustain is adequately financed.

This benefit is incredibly important to recruiting and retaining the young men and women in the Marine Corps. I know close up and personal it's important to the sailors who receive most of their care in garrison and to the soldiers and the airmen that help support them overseas. It is the number-one reason in a survey of our first-term marines for reasons that they will reenlist.

The expansion of TRICARE benefits to our Reserve component is a part of the expansion of benefits that has occurred in the last 10 years. There's been a marked expansion in the benefits package that is provided to Active-Duty, Reserve, and retirees, and yet the proportion of the fees has not shifted in the same direction. Reserve marines and their families are now better able to prepare for the transition to Active-Duty and mobilized Reserve service through these enhanced TRICARE benefits. This allows them to access TRICARE benefits 90 days prior to activation and to continue to

receive those benefits 180 days after deactivation. Not only because we're at war, but this is the right thing to do. Portability of the TRICARE benefit across the regions has made this TRICARE benefit even easier on our activated families. The benefit is the same, regardless of where they are when their marine deploys.

Let me reassure you of the following: The Marine Corps, like the rest of our Service comrades, is committed to taking care of our marines and their family needs. We will sustain our commitment to the finest health care for those in uniform, their family members, and our retirees. The Commandant is also committed to keeping those qualified marines who have been injured and who want to stay a marine.

Marine Sergeant Chris Chandler, in December 2001, suffered severe injuries due to a landmine explosion. After treatment at Walter Reed and the support of numerous people, to include Members of Congress, Sergeant Chandler was found fit for duty and returned to the First Light Armored Infantry Battalion. He went to jump school in the Army and finished number one in his class. He deployed and redeployed from another tour of duty in Iraq. He is currently serving as the Battalion Chief Scout on his third tour of duty in combat in Iraq. Upon his return he has requested an assignment as a hospital liaison for our injured marines and will report to Balboa Navy Regional Medical Center in June.

"Once a Marine, Always a Marine"—another commitment to those leaving Active-Duty is our Marine-for-Life Program, built on the philosophy that after leaving Active-Duty there is support that can be rendered to marines as they transition from the Active service to civilian life. In 2005, the Marine-for-Life Injury Support Program was created by expanding Marine-for-Life to assist marines in bridging the gap between military medical care and the Department of Veteran Affairs (VA). We have a great partnership with the VA now and have provided two marines full time, Colonel Franks and Major Wright, to assist the VA with those marines who are transitioning to their facilities.

We support DOD's efforts concerning military health care and we want to work closely with Congress to sustain this outstanding health benefit for the men and women of our Armed Forces and our retired community. It is the right thing to do. It is also important that it helps us to sustain the vital needs of our military to recruit, train, equip, and protect our servicemembers who daily support our national security responsibilities throughout the world. They are the finest force, they deserve the finest care. It is our commitment to them. Thank you for your continuing commitment to "take care of your marines." I look forward to answering your questions.

[The prepared statement of General Magnus follows:]

PREPARED STATEMENT BY GEN. ROBERT MAGNUS, 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 the Defense Health Program. We remain a Corps of Marines at war with a Total Force of 179,193 in the Active component and 39,600 in the Reserve component. Today, 39,572 Active and 2,592 Reserve marines are deployed overseas, including nearly 34,000 with Multi-National Forces West/I Marine Expeditionary Force (Fwd) in Al Anbar, Iraq and nearly 1,000 with 1st Battalion, 3rd Marines in Jalalabad, Afghanistan. The military health system, which Congress has strongly supported, has developed into the finest preventative and treatment system of its kind, caring

at home for our troops and families and, when marines go to war as they have today, delivering the most awesome care to our wounded. Your marines are performing magnificently in no small part due to your support and the realization that they have the support of the American people.

Today, we find ourselves transforming a superb health benefit that has been characterized by tremendous adaptability and one that is exceptionally responsive to a very complex and changing national security environment. For Marine units in the combat zone, care is provided by Active-Duty and Reserve Navy physicians, nurses and corpsmen, as well as Army and Air Force doctors, nurses, and medics. This positively impacts the morale of our troops because they know the care is great, with a 97-percent survival rate for those treated by forward surgical company teams. We recognize that a crucial part of operational and family readiness, and to our continuing ability to recruit and retain marines, depends heavily on our commitment to this world-class health care benefit for those currently serving and to our retirees. This commitment to our troops will be kept. To keep this commitment, we must ensure that it is sustained and financially sound. That is our stewardship responsibility to Congress and the taxpayers.

The Military Health System (MHS) provides the Nation's best health benefit program for those who continue to wear the uniform, retirees and their families. TRICARE is the "gold standard" health care benefit, which must be sustained. Health care is not without cost. Military Health Program costs have doubled from $19 billion in fiscal year 2001 to $38 billion in fiscal year 2006, representing an increase from 6 percent to 8 percent of total Department of Defense (DOD) spending. Estimates indicate these costs could reach $64 billion in 2015, more than 12 percent of the DOD budget, an increase that is unsustainable without major impacts in other areas of current and future force readiness. Such growth is clearly faster than overall budget growth and would affect future investments in manpower end strength, readiness, warfighting and infrastructure. By not changing TRICARE premiums and co-pays since 1995, despite increases in health care costs as well as increases in pay, the Department has been remiss.

The growth in health care costs is attributable to several factors:

1. TRICARE premiums and co-pays have not changed since the program was inaugurated in 1995. Therefore, total beneficiary cost share has declined substantially. In 1995, the beneficiaries paid 27 percent of the total benefit cost while in 2005, as pay increased while premiums and co-pays stayed flat, the beneficiaries share dropped to 12 percent. In sharp contrast to this, Federal Employees Health Benefit Plan (FEHBP) premiums rose about 113 percent over the same timeframe, and now an average non-military Federal employee pays an average of 28 percent of their health care premium costs, plus pharmacy and other related co-pays. Additionally, the catastrophic cap for military beneficiaries remains significantly lower than civilian health plans.

2. According to various reports, medical costs in the U.S. have grown between 8 percent and 20 percent each year, with even higher growth in the cost of pharmaceuticals. DOD budgets have grown 4 percent per year since 2000, somewhat above the national inflation rate, but far below soaring medical costs.

3. Expansion of the TRICARE benefits to include TRICARE for Life and Reserve members in a drilling status and their families contributes to increased utilization by retirees under age 65. TRICARE was expanded in 2001 to cover all out-of-pocket costs not paid by Medicare, including prescription drugs for those 65 and older, increasing benefits but reducing their costs. In addition, prescription co-payments were eliminated for active duty, reducing their costs. In fiscal year 2006, reservists and their family members, representing approximately 9 percent of DOD health care beneficiaries, are eligible for TRICARE participation. In fiscal year 2006, retirees and their family members represented 60 percent of DOD health care beneficiaries, with 27 percent of those eligible for TRICARE for Life. The retiree portion of our beneficiary population is projected to grow to about 65 percent by 2011 with almost 30 percent of those people eligible for TRICARE for Life.

TRICARE is a success story. When TRICARE for Life was developed for the 2001 National Defense Authorization Act, no one anticipated the growing number of retirees and their family members, not yet Medicare eligible, who would choose to switch from their private/commercial health care plans to TRICARE in order to cope with the rising costs of health care. Controlling health care costs is a national concern forcing Federal, State, and local governments and businesses throughout the coun-

try to attempt to shift costs in order to decrease their financial burden. This shift of medical costs to DOD results in an unplanned and unexpected effective health care subsidy to local governments and businesses of American taxpayer dollars.

Even with efficiencies currently being leveraged throughout the MHS, in order to sustain the current military health benefit and ensure warfighting capabilities into the future, portions of TRICARE must be readjusted. There are approximately 76,000 retired Active-Duty and Reserve marines under the age of 65 who potentially would be affected by the proposed adjustments. Of these, approximately 24,000 are E6 and below, 37,000 are E7 and above and 15,000 are officers.

We strongly support the DOD recommended changes and want to work closely with you, the distinguished members of this committee and all of Congress, to obtain the management tools that are needed for us to sustain this great health benefit for all of our men and women in the Armed Forces. Our commitment is to maintain the TRICARE "gold standard" health care benefit by placing the program on a fiscally sound foundation for the long-term.

The DOD should have asked for congressional assistance much sooner. We are now coming to a point where we will be faced with a "Hobson's Choice" making increasingly huge subsidies for the increasing costs of health care from other required programs. We cannot reasonably expect that Congress will add these increases "on top" of our fiscally constrained Defense budgets without impact to other needs. One thing is certain: We will not break our commitment to the highest quality health care for those still in uniform and for our retirees. With your help, we can avoid having to cut programs for manpower, readiness and investments that support those in uniform now and in the future, and are the basis for the defense of our Nation.

It is critically important that we place the health program on a sound fiscal foundation for the long term, so that we can sustain the benefit and the vital needs of our military to recruit, train, equip, and protect our servicemembers who support daily our national security responsibilities throughout the world.

STATEMENT OF GEN. JOHN D.W. CORLEY, USAF, VICE CHIEF OF STAFF, UNITED STATES AIR FORCE

General CORLEY. Mr. Chairman, Senator Nelson, thank you sir for the opportunity to speak with you today about health care for the brave men and women of our Armed Forces. On behalf of Secretary of the Air Force Wynne and Chief of Staff Moseley, as well as importantly the men and women of the United States Air Force, first let me express our gratitude for your guidance, as well as the important work of this subcommittee. We will look forward and continue to look forward to working with you as we tackle this important matter and try to find the right balance.

I want to state up front, sir, that the Air Force agrees with the Department that a sustainable health care system is a priority. It has to be a critical priority for us. A sustainable system, in my mind, is crucial to maintaining a sustainable force. Is the Air Force concerned about ensuring that our airmen have the quality health care that is going to be essential for continuing to fight and win this global war on terrorism? Absolutely, sir. Are we concerned about their families that their needs are going to be met while those airmen are deployed? Without question. Are we concerned about increasing health care costs and the potential effects on recruiting, retention, and on modernization? Most definitely, sir. Of course, we are concerned about maintaining the goodwill of the retirees that have bravely served this country. Without a doubt, those sacrifices should be honored.

Underlying all of these concerns, sir, we're committed to delivering air and space power for the United States Air Force, and we believe to do so, we need the sustainable force. That sustainable force is not possible without a sustainable health care system.

The proposed plan moves us toward that sustainable system, and today I look forward to answering your questions, sir, and we look forward to continuing to work with you so we can have both an effective and an efficient system, that is both responsive and responsible.

[The prepared statement of General Corley follows:]

PREPARED STATEMENT BY GEN. JOHN D.W. CORLEY, USAF

INTRODUCTION

Mr. Chairman and distinguished members of the committee, the Secretary of the Air Force and Chief Moseley welcome this opportunity to outline the Air Force's concerns regarding this critical issue. The Air Force appreciates your outstanding efforts in support of our airmen and their families. Their sacrifices deserve a first class health care system and it is a moral imperative that we provide it for them. Having a sustainable health care system is a priority for the Air Force and it is an important element in maintaining a sustainable force.

The challenge faced by the Department is experienced across the Nation—delivering a cost effective yet equitable health care system. The Air Force is concerned about ensuring that our airmen have quality health care especially while fighting the global war on terror. We are concerned that their families' needs are met while they are deployed. We are concerned about increasing health care costs and their potential effects on retention, recruiting, and modernization efforts. We are concerned about maintaining the goodwill of the men and women that have bravely served their country.

The numbers tell the story: Department of Defense (DOD) health care costs have doubled in 5 years—from $19 billion to $38 billion this year. We agree with Secretary Rumsfeld's comment that, "Indeed, if current trends continue, health funding pressures will soon cut into budgets for training, equipment, and a range of other investments vital to winning the war on terrorism and maintaining the quality-of-life for our troops and their families."

Clearly, we must provide for our military members and their families, but we must find the right balance among our investments in global war on terrorism operations, our dedicated and brave airmen, and the critically important need to recapitalize our air and space assets. The Air Force believes the proposals before you will help us achieve this balance and we fully support them.

Secretary Rumsfeld stated that "We have a terrific health care system, and we want to keep it. The only way we can keep it is to put it on a basis that's sustainable." The Joint Chiefs of Staff unanimously support these statements. By "renorming" beneficiary contributions to TRICARE, we can help assure the continued high level of access to care and quality enjoyed today, second to none in the health care industry. Under the proposed changes, TRICARE will remain the best value in health care insurance in terms of cost, quality and access.

The Air Force agrees that it is appropriate that Active-Duty troops and their families only be minimally affected by new legislation. The Air Force is working diligently to protect our deploying troops through many highly acclaimed force protection efforts, to include screening them before, during and after deployments. We've recently added post-deployment health reassessments that follow-up with our troops several months after re-deployment to assess both their physical and mental health.

We are grateful to Congress for their efforts in supporting our troops, and in strengthening the military health care system. The recent TRICARE Reserve Select legislation was the right thing to do for our Reserve component personnel who play such a significant role in our defense. Our Active-Duty airmen, Air National guardsmen, Air Force reservists, soldiers, sailors, marines, retirees, and all of our military family members deserve an outstanding medical benefit. The proposals being presented are fiscally sound and the right thing to do. They are based on the best possible estimates of health consumption dynamics and places the DOD on a solid approach to creating a fiscally responsible yet equitable military health care system. We look forward to working with this committee as we strive to create the right balance between the critically important investments in military health care with the equally important investments in operations and recapitalization that serve to protect our Nation.

Senator GRAHAM. Thank you very much. We'll get right into it. I'll make sure Senator Nelson has time to ask his questions. Where our staffs are coming from, the building blocks of reform as I see

it, are cost controls, efficiencies to be achieved, and at all costs, protect the benefit because it is not very reassuring to have a benefit on paper if it can't be sustained over time. The worst thing I think you could do to the retired community and to all those serving is to make promises you can't keep and we need to make sure that doesn't happen. I'd like to throw some numbers out and see if this is your position—does anyone on the panel believe that the number $39 billion for health care benefits in 2007 is wrong?

Let the record reflect that everyone agrees that that is the number in their view. Does anyone disagree with the proposition that beneficiaries are paying 12 percent of the bill today instead of 27 percent of a bill they paid 11 years ago?

Everyone agrees in the affirmative that they believe that that is a correct statement. Does everyone agree that 8 percent of the military budget today is for health care and in 2015 its projected to be 12 percent?

Let the record reflect agreement on those concepts. Now, what we're going to do is have some independent group look at this. We've also had some of our retiree veterans, Reserve component groups question that so we're going to have an independent look and see where the numbers actually come out.

Efficiencies. We've been given a list of suggested efficiency reforms in addition to the ones you have proposed. Will everyone pledge to me that you will work with this committee and the groups to try to find future efficiencies? The answer is yes. All right.

Now, Dr. Chu, could you very distinctly describe to me and Senator Nelson what we face as a Nation if we allow this problem to go unchecked? Also comment, if you could, about the disturbing trend where private sector employers are pushing people into TRICARE through economic incentives and the actions that you see by certain States out there to do the same thing with State employees who happen to be military retirees and what that trend will do for the country if it continues?

Dr. CHU. Yes, sir. Let me start with the second part first. That is, in fact, an important development just within the last 3 years or so, substantial migration of individuals who have access to private sector health insurance to the TRICARE program away from private sector and State and local government programs. Importantly, due to the incentives being offered by those elements, sometimes quite substantial incentives are taken in the form of cash payments.

Senator GRAHAM. Are you familiar with the Boeing example?

Dr. CHU. Broadly. Sir, I don't have the numbers off the top of my head.

Senator GRAHAM. Generally, what's happening in the private sector?

Dr. CHU. Generally what's happening in the private sector is that the employers offer the individual on the corporate side a cash payment to decline the employer's program and take TRICARE instead. Those payments may exceed $1,000 a year in some cases. In addition, State and local governments are typically offering a wraparound policy if you'll decline their policy, and I think we're close to a dozen States now that now do this. They say, "We will give

you this to take TRICARE instead, here are some extra benefits that you will get from the State coffers" because, of course, the State is saving the full cost of the TRICARE program. Further, in the private sector, and there has been for some time, a tendency to define categories of employees who don't receive health care benefits. Having been in the private sector myself, I know this tool. We call them consultants, they don't get benefits. That way you stay on the right side of the Employee Retirement Income Security Act (ERISA) and no one in that category is offered benefits. Of course, that's a preferential tool for hiring military retirees because they come with benefits, they come with retirement programs, they come with health care benefits. They don't need additional benefits from the private sector employer. To your first question what will happen——

Senator GRAHAM. Let's stop there for just a moment. I'd like to make a statement. I'm speaking only for myself. I find it disturbing that we're going to add a cost to the military defense budget at a time when we're strapped and we're squeezing every dollar we can. I understand what companies who do this from the investor point of view and I can understand why some States would want to save money, but here's my message. We should all agree that our national defense needs are paramount and the practice of dumping people into TRICARE through economic incentives in the private sector and at the State level has to be checked because we're beginning to erode the ability to take care of our troops and meet our operational needs unless you believe in unlimited money, which I don't.

Dr. CHU. Yes, sir. That sums up our concern as well. On the second element of your question, what will happen if we fail to act, if these costs continue to balloon, and the defense budget is maintained in real terms which is, I think, a relatively optimistic view of the likely future? What will happen, in our judgment, is, I think, slowly the quality of the benefit will erode. That means that for those who use TRICARE Prime or TRICARE Extra, the network of physicians that is maintained will get thinner, and there will be fewer from which to choose. There may not be as many physicians or clinicians as you would like to go to in your community. For those who use TRICARE standard they may find themselves with physicians and clinical providers who decline to accept them as patients. Now, on the Active side, in the short run they are the most likely to be affected by a shortage of funds because the other elements of the program are either de jure or de facto entitlements—de jure, TRICARE for Life—we have no choice about that, de facto I think for those who are retired benefitting from TRICARE Prime, TRICARE Extra, and TRICARE standard. So if we came to a short run budget crunch, what would happen? Not that we wish to do this, but what would happen is we would start to cut corners on the medical establishment and the fine record that has been established—and in our judgment, must be sustained or the health and the readiness of our force—would start to erode. We would not buy the replacement equipment in a timely way, we would not buy the kinds of new gear that we ought to have for the medics in a proper way, we would not be investing in their training and their preparations as we should. You would then be holding hearings to demand

why aren't we deploying the latest gear to the combat theater. We would plead budget insufficiency, budget difficulties, et cetera, as our rationale. So I'm very concerned about our ability to sustain what has become a first-rate program either in terms of deployed medicine, what we're doing in the field, or what we should do back here for the servicemembers and their families. That's our agenda. This isn't even a reestablishment of an equilibrium that we had at the start of the program, but we need to move back towards it. We're not proposing to go all the way back in terms of things we ask retired military families to bear but a modest step in that direction.

Senator GRAHAM. Some would say that your fee increase proposal over 2 years is a bit more than modest and I would tend to agree with them.

Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman. In terms of a study, I'm sure that something was done internally within DOD to determine the size and the adequacy of the increases for sustainability. Was there any outside study, or any outside group brought in?

Dr. CHU. Let me describe very briefly the process that led us to these conclusions. We first began with defining the issue, what is the likely future trajectory of MHS costs, why does it look that way, what are the contributing factors? We have our monthly meeting joined by our colleagues, the vice chiefs, for what we call the Military Health System Executive Review, in which issues of this sort are considered. We have, over the last 2 years, been through these numbers in considerable detail and with careful debate. Having established what we think is the likely future under the current rules of the game, we then looked at a range of alternatives and we came to this set of proposals after considerable internal debate, weighing the pros and cons of alternative courses of action.

We used important external advisors in actually constructing the estimates, and in determining the effects of different choices. Dr. Winkenwerder, would you like to say a word or two about how that was done?

Dr. WINKENWERDER. That's a very good question. We worked with several different groups from the outside—one group was the RAND Corporation—to look at the broader spectrum of what's going on with health benefits and the proportionality of cost sharing and so forth and have benchmarked with the Federal Employees Health Benefits Program. What these other programs do that was never the aim is to inform all of us what is going on in the universe. We work within a broader health care world. It's important to understand those trends and what is happening, when it came to cost estimates and estimates of changes in utilization or behavior if you change a cost sharing. Those were derived through some consultation with outside firms, actuarial firms that are health actuarial firms and they do consulting work for us and could check the record I believe for others outside of the DOD. We think that those are conservative. We all said those estimates are conservative, they're certainly open to scrutiny, and so we would welcome the idea that others would take a look at that for their realism.

Senator BEN NELSON. In doing that, of course, utilization is a key element in any insurance product. Did you look at what you might do to change the nature of coverage towards wellcare, towards more preventive and early detection type of coverages?

Dr. WINKENWERDER. Yes, and ironically you might argue that our current benefit is very much oriented in that direction because there is low first dollar coverage. It has what's known as low first dollar coverage—you would know from your prior experience—and so we encourage people to come in for preventive services and to do preventive things. We think there's more that we can do, particularly for those who have chronic diseases such as diabetes, congestive heart failure, and asthma, where we actually proactively reach out to those people, and don't just wait for them to come in, and make sure that we're individually case managing those individuals.

We started in that area about a year ago working with our three contractors and with the Army, Navy, and Air Force branches to begin to implement programs like that. We think there's some opportunity for savings from some of those initiatives and that's part of what we're putting forward, is what we would estimate for the future.

Senator BEN NELSON. This question is for the service vice chiefs: will these changes, the size of the changes in particular, not the fact of a change but the size of the change, have an effect in your opinion on recruitment or retention?

General CODY. I don't believe we know just yet whether or not it is or it isn't. What we do know, Senator Nelson, is if we do not fix this and we have to fix it later or we delay it and we have a sizeable rise, it will have an effect. The other piece of this in terms of reenlistments and maintaining the All-Volunteer Force is if we don't fix this the drain on our budgets will be such that, we will not be able to provide child development care centers, we will not be able to execute base realignment and closure (BRAC) the way we need to, and we will not be able to execute the modernization and reset of our equipment. Let me give you an example. This year, because of the projected cost growth in the accounts just for TRICARE Select program and Reserve Select program, the Office of the Secretary of Defense (OSD) gave each one of our Services, and rightfully so, a program budget decision that equated to the Army's fair share of that for fiscal year 2006 of $348 million. We had to pay for the cost grown, that is the operational cost of one infantry division for a year and these are the types of growth don't deal with this I think it's going to add second and third to order effects to what you ask.

Senator BEN NELSON. Admiral?

Admiral WILLARD. With regard to recruitment and retention, we discussed this and believe that the risk is associated with influencers, mainly of those choosing to enlist in our military or those choosing to consider reenlistment, the parents, or the veteran uncle. So the issue is, are we truly at risk and taking the corrective actions that we desire to take in this program in the near-term and in the long-term with regard to the effect that it may have on the influencers? I think the answer lies in educating them. For those of us that have dealt with this issue over time and for our surgeons

general who have looked into this issue at great length over time, the facts are irrefutable. The consequences that General Cody talks about are looming now and the impact of what has happened to TRICARE and health care costs in general are already affecting us or already taking effect. Most important is to get the facts on the table, to get the facts in front of our veterans, and to get the facts in front of the influencers, so that we are able to alleviate their concerns and make them understand that it's in the long-term interest of our health care program that we do these things.

Senator BEN NELSON. General?

General MAGNUS. Sir, I agree with my comrades here on recruitment, excepting what Admiral Willard said about the influencers in the community. The answer is no, only if the benefit itself which we are committed to will seem to be eroding would that be an issue.

Regarding retention, as I said earlier, it's the number one consideration among many on staying in service to the Nation. I do not believe that the effect is likely. While it is true that the updated fees and copays appear striking to some, particularly depending upon the time-frame of implementation, when one considers what's happened over the past 10 years where the beneficiary's share has dropped from 27 percent to 12 percent and yet at the same time both our Active-Duty, Reserve, and our retiree compensation has markedly increased, a reasonable updating of the fees and the copays might seem to be in order particularly since it protects the first thing, which is sustaining this benefit from erosion. Thank you, sir.

Senator BEN NELSON. Thank you.

General CORLEY. Sir, with regards to recruiting and impact I would say I scrutinize that daily and I especially want to look for trends. I probably open up the lense in terms of both influences and influencers, not just the retired population but what I know will be a substantive influence is if we don't have a sustainable military health care system, and I have an airman overseas who has a sick wife or a sick child at home and that wife can't get that child to care. That will have a substantive impact on our ability to both recruit and then retain those fine armed services members.

If we can't get the right spare parts for the tools they need to continue to prosecute this war on terrorism that too would be a huge influence on whether or not they want to be retained in the Service or whether they want to be recruited in the first place. If we begin to compromise their training or compromise the tools that they need to use with the training to prosecute and defend this Nation those would be influencers that are, of course, extremely important to me as well. So do I look at this one, sir? Yes. Am I worried about recruiting and retention? Yes. But with that aperture fully opened, I look at this both as a parent or a young lieutenant who is in the military service. As a parent, my wife and I have two sons at the University of Nebraska in Lincoln and Reserve Officers' Training Corps (ROTC) programs getting ready to come onboard the military. I also look at it as the son of a 26-year veteran in our armed service, and also as a husband to my wife who's served for 26 years in the military, so my perspective is pretty broad on this one, sir.

Senator BEN NELSON. That's a wide aperture. [Laughter].

Thank you. One final question, Mr. Chairman. General Cody, in your prepared statement you expressed strong support for the creation of a unified medical command. Dr. Chu, you've also indicated that the Department is looking into how to shape the medical force to be more joint and interdependent for the 21st century. Is there a possibility of something in the form of a joint or unified medical command that would make sense here, that would help reduce cost and avoid redundancy that might exist within the various commands today?

Dr. CHU. We're looking at that energetically. We have already changed the structure by which we govern the military medical system to emphasize the regional and major market responsibilities. There is a regional officer for the three big regions in the United States and there is a market manager for each of the significant markets, San Diego, Norfolk, and Washington, DC metropolitan area, et cetera, where we have large numbers of people, because we recognize all three military departments contribute to the outcome and we need to coordinate the resources and applications so we get the most effective approach as well as the most efficient approach in each. Can we do more? Yes. We are actually counting on those savings in our future budget plans. We have placed a challenge in front of the military departments in every case, a challenge that they're going to have to work hard to meet, of improvements in how we deliver the care ourselves for the part that we do. We already made those changes. We are committed to looking at further changes in that regard. They are part of our forward budget picture of how we think we ought to meet this challenge with growing costs.

By themselves, I would emphasize they cannot meet the magnitude of challenge that we face. We have to do something more and hence the proposal that we have put on the table with Congress.

Senator BEN NELSON. Have we already taken into account the potential savings in these projected increases for the retiree benefits?

Dr. CHU. Yes, sir. In the Future Year Defense Program, we have budgeted on the basis that the changes are in force so if they do not pertain, we will have to take money out of other accounts and move it into the health account in an attempt to sustain this—but at the price that General Cody and Admiral Willard and General Magnus and General Corley described. So, yes, we have already programmed on the assumption of success. Both success, in terms of acceptance of a change of the nature we have recommended, as well as success on the efficiency front. In other words, we have assumed we will be successful not only in sustaining the efficiencies already achieved but further increasing those efficiencies in the years ahead. There's a whole host of specific actions that lie behind it, ranging from the market management as I described, to what we call prospective budgeting, to which we're in the midst of transitioning all of our facilities, through the military-to-civilian conversions that Admiral Willard mentioned in his testimony. There's a long list of specific things we are doing. We are taking those into account. They are already assumed in our baseline.

Senator BEN NELSON. Thank you very much, gentlemen.

Senator GRAHAM. Let's have one quick additional round of questions. I really appreciate your testimony and your candor. I think we need to put in perspective what we're asking the adjustment to be. If the Department proposal was adopted, what fee increase would we have over the next couple of years?

Dr. CHU. We would see an increase that, as I said, would for the first time be parsed among officers, enlisted greater than grade E–7, or enlisted and below.

Senator GRAHAM. What would be the percentage increase?

Dr. CHU. In current structure, the individual pays $230 a year and a family pays $460 a year. For an officer over a 2-year period that would go to $1,440.

Senator GRAHAM. What increase would that be?

Dr. CHU. That's an increase for the officer community on the order of 200 percent.

Senator GRAHAM. How about the enlisted person?

Dr. CHU. For an enlisted person, E–7 and above—let me quote the family rates, that's most applicable—it would go to $950 a year, so that's on the order of $80 a month.

Senator GRAHAM. What percentage would that be?

Dr. CHU. That's approximately a doubling of those numbers. Then for an E–6 and below, it would go over a 2-year period to $650 a year. That is a change as you can appreciate on the order of $20 a month. While these are large percentage changes, they are large in percentage terms because the base is so modest, as an absolute charge for what I think everyone agrees is a far better product than we had 10–12 years ago.

Senator GRAHAM. Thank you, Doctor. Therein lies our dilemma because I've been told that the military pay raise is 3.1 percent, retiree cost-of-living increase for 2005 was 4.1 percent, and that the national medical consumer price index for 2004 grew at 5.2 percent. Congress increased the rates and premiums in Medicare there, by 1.6 percent, and a retiree benefit pay is increased by 32 percent over a 10-year period. Here's our dilemma. We have an incredibly good deal to the point that it is an unsustainable deal and the idea that you're entitled to health care for life once you've served 20 years without cost is an attractive concept but I've never believed that once since I've been in the military. I have never been told that but it's often said and it needs to be understood that it is not a reality. It cannot be the reality because then you will really start diminishing the operational needs of the military. I don't think any retiree wants to do that.

They want to be treated fairly and the question of these big jumps in percentage increases, they've made a very good case that's too much too quickly and I'm very sensitive to that. However, once you look at the total dollar of what you're paying, it is a very good deal, given what the private sector would cost. I think you've earned that very good deal and so what Senator Nelson and I along with our staffs, are going to try to do is try to get as much input as we can about efficiencies, look at how to make the system more efficient. Dr. Winkenwerder, we talked a year ago about a constituent of mine at Laurel Hill, who had a TRICARE bill for nurs-

ing care services and TRICARE paid twice the amount and it's still happening a year later.

We have to get a grip on that. These are real dollars and we just can't have a system that pays twice what the bill is and nobody catches it until a year after we've identified it. The efficiencies we're talking about—stimulating the use of mail-order pharmacy for refills, urgent care instead of emergency room care, simplifying the claims process, establishing effective disease management, a unified medical command, universal enrollment system for users of all the options under TRICARE—all of these efficiencies. I think we need to be insistent, and it needs to be looked at hard, before we ask for new money. But at the end of the day, once we get the independent review about what the numbers are in terms of the third party, we need to look at the numbers. I think we're going to come down with the idea that static benefits over time are impossible to sustain unless you want to tremendously erode the benefit over time.

That's not a dilemma we need to put ourselves or our retirees in and so I look forward to working with the groups to find a way to bring this program into some cost efficiency model, humanely, and not asking more than can be given but at the same time improve the quality of the program. If you're going to pay more, I think we should try and do all we can to make sure you get more.

Dr. CHU. If I may, Senator, on this issue of the rate of increase, there is another way to look at that—and this is how the Department came to its conclusions—not in percentage terms but in terms of what the absolute change is and in the end that's what counts. How much do I take out of my pocket and pay for the premium and over the same period of time? That is of concern here. In other words, since 1995, an officer who retires at the grade of O–5, commander or lieutenant colonel, has seen his or her annuity—and this is assuming retirement at 20 years of service—increased by $8,700, and so you put the kind of change we're asking for in that context and that is how we conclude this is a reasonable amount to ask. An E–8 who retires at 28 years of service has seen his or her annuity increase by $7,600 in that period of time, and an E–6 who retires at 20 years of service—for which we're asking only $200 or so more a year—has seen an increase in the absolute amount of the annuity of $3,600 over that period of time. Viewed against the absolute level—and this is why I think percentages are a bit misleading in terms of how we think about the burdens. We think these are reasonable proposals. That's how we came to look at this problem, looking at the absolute numbers.

Senator GRAHAM. Reasonable people may disagree, too.

Dr. CHU. I understand that.

Senator GRAHAM. The net effect of all of this will be that whatever increase in retirement pay you've gotten will certainly be eroded by this fee increase and I have to somehow figure out, along with Senator Nelson, what is right and what is fair and I guess the two extremes are going to be rejected. Just speaking for myself, a major league increase just because we haven't done it right for 10 years, is of no use just to throw everybody overboard for a 2-year period, and the idea that it's free for life that there's never going to be an increase in what I think is a very fine program to me just

seems to be off the table. As a Nation we have to deal with this and I think we can.

We have 17,000 wounded soldiers, airmen, marines, sailors, and coastguardsmen. We've really taken a hit in this work. Most of us have been slightly inconvenienced. If you're not in the military maybe that might even be a stretch, but those wearing the uniform and their families have been put through the wringer and, men, you have done a great job and we're all proud of you and that is why we're going to make sure you have good health care and also your operational needs are going to be met. What are we doing to make sure that the 17,000 wounded, once they get off the battlefield with the best medicine known in the history of warfare, don't fall through the cracks and they get the continued health care they need?

Dr. CHU. Let me start and ask Dr. Winkenwerder to continue. First of all, I should emphasize—a tribute to both them and the quality of the MHS—half of that total returned to duty in 72 hours. You may have enduring issues but we're prepared to take care of those. Then you have the remainder who range across the spectrum in terms of the severity of the injury, et cetera. As I think General Magnus testified, there has been an extraordinary effort by the military departments, both to rehabilitate those who suffered injuries and to rethink what fit for duty might mean in this contemporary society, and a willingness to accept accommodations that we perhaps might not have countenanced in years past. I think it's a terrific outlook. The Air Force, for example, as an indication of the difference, accepted for flight duty a pilot who has lost a portion of his leg due to disease, in this case, below the knee. That is an extraordinary change in our outlook and our willingness to rethink how we do business. For those with the most severe injuries—General Magnus mentioned the Marines for Life Program, the Army has a similar program, the Army Wounded Warrior Program, each Service has a program that is intended to be sure we put those images on the right course of action. To provide an umbrella for the DOD as a whole, we've established a severely injured center right down the road here in Northern Virginia. Its responsibility is importantly this issue of liaison with the other departments, to provide benefits: Veterans Affairs, Labor, Transportation Security Administration, so on and so forth. There is a holistic approach for caring for these individuals.

Dr. WINKENWERDER. Let me just add that I think our relationship with the VA is better than it has ever been. We are really working together with the VA and that has not been easy. To be honest, if you go back 4 or 5 years, it was like getting the polar magnets to come together but we're way past that now and we have taken a holistic approach and looked at this as a continuum from somebody that's on the battlefield that comes back, who may or may not be in the Service, they separate and they're out. One of the ways in which there is cooperation—there are multiple ways and I'll just hit on a couple of them. The information about what has gone on with the servicemember, we're now moving the information electronically because we both have, I think, world-class electronic health-record systems, electronic medical record systems. We look at people's health before they deploy and after they deploy

and document all of that and move that information. We have clinical practice guidelines. We have been very forward leaning and I want to commend the Services and the line of leadership on this whole issue of mental health.

I think we are moving past the days when it is just an untouchable stigma to talk about mental health. We're checking people after they come back for mental health and now we're even checking them 4 to 6 months after they come back and working with the VA and we have already moved through or we will be moving through hundreds of thousands. We've already checked about 20,000 individuals, and that new program is working well.

So I think there's just a variety of ways that we're really focused on the care of that person that comes back who has made such a huge sacrifice and their family, because their family may need some support, too, and holding people together because there is no question but that these events create stress and they're issues that people take with them inside their heads if not their bodies when they come back.

Senator GRAHAM. If you could, give a report to the committee about how we're going to make sure they don't fall through the cracks. I'm very impressed with what you're doing. Is there anything else?

Dr. WINKENWERDER. I have one more thing to add. I did not want to leave your issue about savings and administrative savings unanswered. I want to show you, hopefully here later today at your convenience, the whole list of savings. Just for the record in 2003, for example, if you add up all of those savings initiatives it came to about $136 million. It's not insubstantial. This year we think that number's going to be about $725 million for this year and next year it's going to $975 million, and these are real things, they're joint procurement of pharmaceuticals with the VA, joint contracts, some administrative cost savings, and some elimination of things. We hope to achieve some savings with the BRAC.

Senator GRAHAM. Maybe some best practices could be implemented?

Dr. WINKENWERDER. Absolutely. We will take you through all of that at your convenience. We did want to just say for the record that we're committed to that. We also think there have been some good ideas that have come up from the associations and from the groups and we want to talk about that and how we think we can move forward.

Senator GRAHAM. Thank you all for your time and we appreciate your service, Dr. Chu and Dr. Winkenwerder, thank you very much. To those in uniform, we don't have enough money to pay you what you're worth, we don't have enough money to reward those who are serving, but I'm sure you do it for more than the money but we're going to make sure we're there for you. God bless. Thank you.

We are adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR JOHN MCCAIN

TRICARE

1. Senator MCCAIN. Secretary Chu and Secretary Winkenwerder, aside from proposing to significantly increase the premiums paid by retirees under the age of 65, how is the Department of Defense (DOD) addressing the problem of corporate industry using incentives to encourage its employees to use TRICARE vice corporate health care plans?

Dr. CHU and Dr. WINKENWERDER. Currently, there is no legal recourse for the Department to limit or deter corporate industry from using incentives to encourage its employees to use TRICARE. There is such a prohibition for Medicare and we are recommending similar legislation for TRICARE.

2. Senator MCCAIN. Secretary Chu and Secretary Winkenwerder, what is the DOD doing to stimulate the use of the low-cost mail-order pharmacy program?

Dr. CHU and Dr. WINKENWERDER. TRICARE Management Activity has recently launched very aggressive communication efforts to reach users of retail pharmacies to provide them with information about the advantages associated with mail-order and detailed information on how to participate in the program. This education outreach will focus initially on the South Region so that we can evaluate the success of the communication effort before expanding across the Nation. The outreach includes extensive information about the program mailed directly to homes, heavy saturation of articles in local media venues (including print and broadcast media), and specialty media such as retiree and beneficiary association publications. Customer service representatives in the Military Health System and contractor partners will have additional information to provide when contacted by beneficiaries. Commanders and other DOD leaders have been provided talking points for use when holding meetings with staff, beneficiaries, members of the press, and community leaders.

TRICARE pharmacy copayments are structured to incentivize the use of the mail-order program. In the mail-order program, beneficiaries can receive up to a 90-day supply of medication mailed to their home for the same cost as a 30-day supply from the TRICARE retail network. During interviews and meetings with beneficiary organizations, senior DOD leadership continues to stress the point that using the mail-order pharmacy is not only convenient, but that their members save 66 percent on their copayments. The recent focus has been to further delineate the differences in copayments in order to encourage more use of the mail-order program, as we have testified to Congress.

3. Senator MCCAIN. Secretary Chu and Secretary Winkenwerder, what is the DOD doing to educate beneficiaries and providers on the advantages of the mail-order pharmacy?

Dr. CHU and Dr. WINKENWERDER. Recently, the DOD embarked on a campaign to educate beneficiaries about their pharmacy benefits and the various options to help them decide which are best for them. We believe that, through this educational campaign, beneficiaries will have a better understanding of their prescription drug benefit. This will not only help them save money, but it will help us to maintain their benefit. The TRICARE Mail-Order Educational Program is designed to explain to our beneficiaries the convenience, savings, and safety of the mail-order pharmacy. It explains how eligible beneficiaries may enroll with the mail-order pharmacy by mail or via the Web, and once enrolled, how patients may send their prescriptions to the pharmacy. Patients are told that they will get their medications usually within 14 days after our contractor, Express Scripts, Inc., receives the order. Each prescription also includes a reorder date, so that beneficiaries will know when to place a refill order. Beneficiaries have access to a registered pharmacist at any time via a toll-free number to answer questions.

We will continue to use different avenues to explain to beneficiaries how they save money by using the mail-order pharmacy and that, by doing so, they are helping DOD contain the rising costs of prescription drugs. We will explain how the DOD currently pays much more for prescriptions filled through a retail pharmacy versus a mail-order pharmacy, and that these costs threaten the sustainability of the TRICARE pharmacy benefit. The DOD continues to examine ways to enhance the pharmacy benefit while reducing its costs. Some proposals to encourage beneficiaries to use the mail-order service include eliminating the copay requirement for generic drugs filled through the mail-order program and raising the price of both generic and brand-name drugs at the retail pharmacy.

TRICARE Management Activity also has ongoing communication efforts with providers to ensure they understand the advantages of mail order for their patients and to educate them on the processes for faxing prescriptions to the mail-order contractor. Information about the mail-order program is included in all provider and beneficiary handbooks, periodic news releases, factsheets, and other documents on the TRICARE Web site, in addition to monthly bulletins and newsletters mailed to Prime households, and in an annual newsletter mailed to Standard/Extra households.

4. Senator MCCAIN. Secretary Chu and Secretary Winkenwerder, what is the DOD doing to secure discounts from drug manufacturers for the TRICARE retail pharmacy network?

Dr. CHU and Dr. WINKENWERDER. While the DOD must await the decision of the United States Court of Appeals for the Federal Circuit regarding DOD access to Federal pricing at network retail pharmacies, we have been actively seeking ways to reduce our retail acquisition costs. We are currently developing a proposal to pursue voluntary pricing agreements with pharmaceutical manufacturers for prescription medications purchased by DOD beneficiaries in the retail pharmacy network. These agreements, if entered into by pharmaceutical manufacturers, will represent a significant step forward to reducing DOD retail drug costs.

5. Senator MCCAIN. Secretary Chu and Secretary Winkenwerder, what is the DOD doing to streamline the electronic claim system?

Dr. CHU and Dr. WINKENWERDER. Historically, TRICARE contracts have required our managed care support contractors to promote a system for accepting electronic media claims: "The Electronic Media Claims (EMC) system shall be able to receive Medicare's data set for the revised Health Care Financing Administration Form 1500 and Medicare's data set for the 0092 . . . and shall be able to accept any form of cost effective "paperless claims" submission, i.e., disk, tape, etc. . . ." This historical basis is critical in that it demonstrates that TRICARE EMC requirements are based upon the Medicare requirements. Medicare is the most successful insurer in terms of EMC receipts.

In the current contracts, TRICARE continues to comply with the Medicare/Health Insurance Portability and Accountability Act (HIPAA) EMC submission requirements, the nationally mandated streamlining approach to electronic claims submission. Our contracts state that standardized electronic transactions and code sets, as required by the Administrative Simplification section of the HIPAA, shall be accepted. TRICARE is in full compliance with the provisions of HIPAA today, and will continue to implement these national streamlining initiatives as they are issued by Medicare. In addition, TRICARE became an industry leader with Web-based technology. Our TRICARE claims processors have, since the implementation of their contracts, offered streamlined two-way, real time interactive Internet Based Claims Processing (IBCP) by providing Web-based connectivity to the claims/encounter processing system for both institutional and non-institutional claims processing. This IBCP system provides immediate eligibility verification by connectivity to Defense Enrollment Eligibility Reporting System and provides current deductible, Catastrophic Cap, and cost-share/copayment information to the provider. Compliance with HIPAA, enhanced by our Web-based EMC submission opportunities, has moved TRICARE to the forefront of the industry in our ongoing drive to achieve 100 percent EMC submissions and avoid the high costs associated with the processing of paper claims.

Currently, over 60 percent of all non-pharmacy TRICARE claims (over 72 percent of network provider claims) are successfully filed electronically through a variety of methods, from a wide variety of providers throughout the United States, clearly demonstrating that there is nothing inherent in TRICARE claims submission requirements to prevent claims from being filed electronically.

Our TRICARE contractors will work with individual providers to overcome any difficulties they encounter in claims filing, and the TRICARE Management Activity is prepared to work with the contractors to address any particular circumstances that can be brought to our attention. System edits on electronic claims are real time. Submission errors not clearing initial screens are returned immediately.

6. Senator MCCAIN. Secretary Chu and Secretary Winkenwerder, what is the DOD doing to simplify the TRICARE prime referral system?

Dr. CHU and Dr. WINKENWERDER. Action has been taken to allow for urgent referral appointments to be made for the beneficiary prior to leaving the Military Treatment Facility (MTF) or the beneficiary may make an appointment at their convenience. We have also begun to use a unique referral tracking number for all referrals

and authorizations as part of an automated tracking system. This initiative will help to expedite answering beneficiary questions or concerns.

The requirement to include clinical information in letters currently sent to beneficiaries to authorize care to the network has been removed. Beneficiaries will no longer be responsible for hand carrying clinical information, helping to prevent sensitive clinical information from potentially being mailed to incorrect Defense Enrollment Eligibility Reporting System addresses. The use of Episodes of Care has been standardized, eliminating the current requirement for the beneficiary to go back to the Primary Care Provider numerous times to get individual authorizations for the same episode of care. Policy guidance has been developed to simplify the Right of First Refusal process in an effort to expedite patient care and reduce the frustration of network providers.

7. Senator McCain. Secretary Chu and Secretary Winkenwerder, what is the DOD doing to reduce TRICARE Reserve Select costs?

Dr. Chu and Dr. Winkenwerder. The Department is delivering the TRICARE Standard and Extra benefit to Reserve members and their families covered under TRICARE Reserve Select (TRS). We are offering them space-available access to MTFs on the same basis as Active-Duty family members who have not enrolled in TRICARE Prime. They may also use MTF pharmacies. TRICARE Network providers and hospitals charge rates negotiated with TRICARE regional contractors that are less than or equal to the TRICARE maximum allowable charge.

The Reserve components are validating Guard and Reserve members' qualifications and recording them in the Defense Eligibility Enrollment Reporting System so that only qualified members can purchase TRS coverage. We have implemented sound billing and collection procedures for premium payments. We have employed the enrollment information systems and standard claims processing procedures that are familiar to our TRICARE regional contractors. In short, the Department is acting as efficiently as possible, consistent with ensuring that reservists are given full opportunity to participate in TRS.

Questions Submitted by Senator Elizabeth Dole

MENTAL HEALTH SERVICES

8. Senator Dole. Secretary Winkenwerder, I understand you are seeing positive results from a pilot program called "Re-engineering Systems of Primary Care Treatment of Mental Illness in the Military" (RESPeCT–Mil), launched at the Deployment Health Clinical Center at Walter Reed Army Medical Center, that is currently being tested at the 82nd Airborne Troop Medical Clinic in Fort Bragg, North Carolina. I also understand that Phase II of this pilot program is funded by the Deployment Health Clinical Center, but Phase III, which would allow for similar programs at approximately half of our demobilization sites, is still unfunded. What are your plans for Phase III?

Dr. Winkenwerder. RESPeCT–Mil is an innovative primary care program headquartered at Fort Bragg. The goal of this program is to empower primary care providers to recognize and manage the mental health consequences of their wartime service to our Nation. Thus far, we have screened over 2,000 soldiers receiving primary care and the experience, to date, suggests that soldiers find it a helpful, acceptable, and nonstigmatizing way to get their mental health needs met. Over 20 primary care providers have used the approach and they find it makes them more effective when helping soldiers with mental health needs.

We believe the RESPeCT–Mil program holds great promise as a way to assist our soldiers with mental health issues. It involves provider education, a prepared practice that makes best use of new electronic medical record systems, and the use of a nurse care manager to ensure continuity of care. We are finding that providers like it, soldiers like it, and, in our pilot efforts, it appears to be the right thing to do. We expect that the pilot will be completed by the end of the fiscal year, but we are flexible if there is a sense that the program should be implemented more broadly before the pilot ends.

9. Senator Dole. Secretary Winkenwerder, if this program proves to be a success, do you plan to ask for funding to expand this concept to include other services?

Dr. Winkenwerder. We are evaluating funding sources to expand the pilot program if we deem it successful. We will consider applying for research grant funding for an implementation study at primary care sites supporting a number of demobilization sites.

10. Senator DOLE. General Magnus, please outline what the Marine Corps is doing to recognize and treat mental health problems among marines who have served in combat?

General MAGNUS. The Marine Corps developed an integrated program of deployment cycle educational briefs and health assessments (from pre-deployment through post deployment) called the Marine Operational Stress Surveillance and Training (MOSST) program. The primary objectives of the educational briefs are to increase awareness of marines and their leaders of the symptoms and behaviors that may be associated with stress injuries during each phase of deployment and to increase the likelihood that marines suffering from stress problems will get the help they need. The health assessments will allow us to: detect mental health conditions, including conditions that may emerge over a sustained period of time; study the validity/effectiveness of the assessments; conduct trend analysis; and determine the efficacy of tracking and treating positive responses. In conjunction with MOSST, medical and religious ministry personnel embedded with operational Marine units, including mental health professionals assigned to our Operational Stress Control Readiness (OSCAR) teams, also help to decrease the stigma associated with asking for help and to increase the availability of that help everywhere marines train and fight. The attitude we repeatedly communicate to all marines is that "it is OK to ask for help."

11. Senator DOLE. General Magnus, I know the Army is making great progress in this area with their RESPeCT–Mil pilot program and the more than 200 Army mental health providers who deployed in Operations Enduring Freedom and Iraqi Freedom to provide early intervention in theater. The U.S. Army Medical Command is also augmenting medical treatment facilities with care managers to help support returning soldiers and their families. What is the Marine Corps doing to enhance mental health services for marines and their families?

General MAGNUS. The Marine Corps is making significant progress in developing programs to deliver behavioral health services to marines and their families in settings that reduce stigma and other barriers to care. In garrison and forward deployed, marines receive their primary health care from Navy medical officers and corpsmen that are embedded in their operational units full time. These embedded medical personnel are in the best position to appreciate the challenges faced by every member of a unit. New programs have been implemented to train Navy medical officers and corpsmen supporting Marine units in the prevention, early identification, and optimal management of deployment related stress problems, including post traumatic stress disorder (PTSD). Our OSCAR program also embeds mental health professionals in operational Marine units both in garrison and in theater, which promotes an optimal partnership between Marine leaders, primary health care providers, and specialty mental health personnel. Since Operation Iraqi Freedom began, we have deployed over 60 mental health professionals to Iraq to support Marine operating forces. This number is roughly equal to the Army's in proportion to servicemembers supported in theater. The Marine Corps also makes use of its intrinsic nonmedical support capability resources in the identification and management of stress problems, including unit Chaplains, both in garrison and forward deployed, and Marine Corps Community Services counseling centers on Marine Corps bases.

12. Senator DOLE. General Magnus, should the Marine Corps implement a program like RESPeCT–Mil?

General MAGNUS. RESPeCT–Mil is a pilot project based on the recognition that most medical treatment of behavioral problems, both in the military and in civilian communities in the U.S., is delivered in primary care settings. Primary care providers have many advantages over specialty mental health providers in reaching out to servicemembers in distress, including their numbers and availability, and the lower burden of stigma associated with primary care treatment of behavioral problems. However, the RESPeCT–Mil program is less suited to the Marine Corps than it is to the Army because Marine units are expeditionary. Therefore, our health service delivery programs must also be expeditionary. The combat/operational stress management partnership in the Marine Corps between Marine leaders and embedded Chaplains, medical officers, corpsmen, and OSCAR mental health providers offer an integrated, community-based behavioral health service capability in the Marine Corps that is flexible and expeditionary and maintains continuity of care.

13. Senator DOLE. General Magnus, do you face additional challenges in this area with Navy doctors and corpsmen treating Marine Corps ground troops?

General MAGNUS. No. Navy doctors and corpsmen have always been integral to the Fleet Marine Forces and are considered full members of the Marine Corps team.

TRICARE

14. Senator DOLE. Secretary Winkenwerder, a number of my constituents have contacted me stating that they are facing challenges in accessing TRICARE services. For example, certain medical facilities and hospitals refuse to accept TRICARE, or they will see TRICARE patients but they apply the DOD TRICARE billing rate. In these circumstances, these individuals become lower priority patients, and experience increased wait times. I understand that many doctors, including rural providers, would like to provide care under TRICARE, but cannot afford to do so—TRICARE rates do not make the effort cost effective for the medical provider. Would you please explain how TRICARE reimbursement rates compare with Medicare reimbursement rates, and provide us with a recommendation on reconciling these for improved military health care?

Dr. WINKENWERDER. The vast majority of TRICARE beneficiaries do not have difficulty in accessing health care, but it is true that access is a challenge in some locations. Under 42 United States Code 1395cc(a)(1)(J), hospitals that participate in Medicare are required, under their participation agreement, to participate in TRICARE and accept the institutional participating provider reimbursement as payment in full.

The TRICARE Diagnosis-Related Group (DRG) payment system was implemented in 1987, and is modeled upon the Medicare Prospective Payment System (PPS). Both payment systems pay hospitals a fixed amount per admission based upon the patient's diagnosis. Under both the TRICARE DRG system and the Medicare PPS, each patient is classified into a DRG which has a weight. In general, this weight is then multiplied by an Adjusted Standardized Amount (ASA), depending upon whether the hospital is located in a large urban area or not. The product of this calculation (the diagnosis-group-specific weight multiplied by the ASA) equals the hospital's payment for that patient. There are variations in this amount if the patient has unusually high costs or if the hospital has a medical education program. The payment also varies geographically to reflect the cost of labor.

There are some differences between the Medicare and TRICARE reimbursement systems. The TRICARE DRG weights are based upon the characteristics of the TRICARE population. In contrast to the Medicare population which is predominantly age 65 and over, the TRICARE population is generally under age 65 and healthier. The weights reflect the relative level of charges from hospitals for patients in each DRG. As a consequence, the TRICARE DRG weights differ from the Medicare weights because of differences in the two populations. The TRICARE DRG system also has a number of DRGs that Medicare does not have to reflect the unique characteristics of the TRICARE population. One key difference in the two populations is that TRICARE has more obstetric and pediatric cases than Medicare. In April 1989, TRICARE added 36 neonatal DRG categories that Medicare does not have. Five of the top 10 DRGs in TRICARE are for pediatric or obstetric cases.

The TRICARE DRG system also differs slightly from the Medicare PPS because TRICARE pays hospitals a separate amount for each hospital's capital and direct medical education costs. Medicare includes these amounts in the basic DRG payment. Total compensation is the sum of the TRICARE payments compared to the single Medicare payment. In addition, TRICARE pays an additional amount to children's hospitals (referred to as the "differential"). TRICARE also pays hospitals a lower amount if the patient has an unusually short stay, while Medicare does not.

In accordance with section 723 of the National Defense Authorization Act for Fiscal Year 2004, we are working closely with our beneficiaries in surveying doctors across the country to determine where access issues exist, and supporting the Government Accountability Office (GAO) as they assess TRICARE Standard effectiveness.

WATER CONTAMINATION AT CAMP LEJEUNE

15. Senator DOLE. General Magnus, I continue to be concerned about the Camp Lejeune water contamination problem. I know the Marine Corps has made an effort in the past to notify servicemembers and their families who may have been affected by the tainted water on base. Are there further notification plans in the works, and how is the Marine Corps cooperating with the Agency for Toxic Substances and Disease Registry (ATSDR) water modeling project and the GAO report?

General MAGNUS. Be assured that the Marine Corps takes this issue seriously and is diligently preparing to support potential future initiatives that may include other studies and additional notification to former Camp Lejeune residents and employees. We believe the best way to get answers about the historic water quality conditions at Camp Lejeune and potential health effects is through continued cooperation with the ATSDR and GAO. We are funding the ATSDR's activities to include the ongoing health study, the water model that supports the study, by estimating when and where on the base the water was impacted, and the Community Assistance Panel, which is examining the feasibility of additional studies. We continue to provide requested data and respond to inquiries from both the ATSDR and the GAO.

POST TRAUMATIC STRESS DISORDER

16. Senator DOLE. General Magnus, I am very concerned about the incidence of PTSD in our servicemembers and the major stress on their families associated with long deployments. When I led the American Red Cross, I created Mental Health Teams that were dispatched to provide help for those affected by trauma. Please update me on your OSCAR program where you have mental health professionals at aid stations. What results are you seeing and how effective do you feel this program has been?

General MAGNUS. A preliminary review of the OSCAR pilot project recently completed by the Center for Naval Analyses confirmed the potential benefits of the OSCAR model, and recommended it be established as a program of record and eventually expanded to serve all Fleet Marine Forces. The OSCAR program embeds teams of mental health professionals, Chaplains, psychiatric corpsmen, and specially trained senior noncommissioned officers in ground units. The OSCAR model is to assign one mental health professional and trained staff Noncommissioned Officer at the level of each regiment or equivalently-sized unit throughout training and deployment cycles. The function of these OSCAR personnel is to provide preventive outreach services to the many firm and forward operating bases from which battalion- and company-level operations are conducted. By becoming known to their marines and by sharing adversity with them, OSCAR team members help break down the barriers to mental health care.

17. Senator DOLE. General Cody, does the Army have a similar program to the Marine Corps OSCAR program?

General CODY. The Army has taken great effort to ensure mental health treatment is readily accessible to soldiers before, during, and after deployment. The Army's Combat Operational Stress Control program has existed for more than 20 years and includes positioning mental health professionals far forward on the battlefield where they can best provide help for those affected by trauma. Each Army brigade combat team (BCT) has behavioral health professionals assigned. Combat stress detachments and combat stress companies provide forward mental health support on an area basis and can directly augment BCT behavioral health sections when necessary. Additionally, the Army is conducting a pilot program to train primary health providers to diagnose and treat PTSD symptoms with the goal of significantly increasing mental health treatment coverage. These forward focused programs are just one aspect of the Army's comprehensive effort to address mental heath challenges as rapidly and thoroughly as possible.

QUESTIONS SUBMITTED BY SENATOR EDWARD M. KENNEDY

MENTAL HEALTH SELF-ASSESSMENT PROGRAM

18. Senator KENNEDY. Secretary Winkenwerder, I was pleased to hear about the new, voluntary Mental Health Self-Assessment Program. This certainly is a good start in meeting the mental health needs of servicemembers and families affected by mobilization and deployment. It's available any time. It also helps the DOD meet the requirement of the National Defense Authorization Act for Fiscal Year 2006 for a program for family mental health.

I believe the program is a vital part of the overall health and well-being of our deploying forces and their families. I'd like to see more people take advantage of the program. What are your plans to ensure its continuation in future years?

Dr. WINKENWERDER. I share your belief that this program is an important part of supporting the mental health and well-being of troops and families affected by deployment. The Mental Health Self-Assessment Program was launched in January

2006. It is fully funded for fiscal year 2006, and we have projected funding for next year as well. The program has been an immediate success. In the first 2 months, 160 installations registered to receive materials to conduct alcohol screening and 160 installations registered to receive materials to conduct depression and general mental health screening onsite, while thousands of participants have used the online format.

19. Senator KENNEDY. Secretary Winkenwerder, what plans do you have to notify all Active-Duty, Guard, and Reserve units that the program is available to their families and servicemembers?

Dr. WINKENWERDER. We have developed and fielded a robust communications plan, to include electronic notification through established e-mail listings, placement on key Web sites that serve families as well as Reserve component personnel, and a wide variety of media outlets. We have formed partnerships with Veterans Service Organizations, such as the National Military Family Association, and with our other support programs, such as Military OneSource, to ensure the widest possible exposure to the total military community. In addition, the program has been nationally recognized in Parade Magazine, as well as on our Armed Forces news and television channels, as being important in the education and caring for both our servicemembers who return from deployment as well as their families. The program has been so successful that we are producing additional kits for onsite mental health screening events specifically for Guard and Reserve units to be used during regularly scheduled Family Days. We are encouraged by the participation we have seen so far in this important education and outreach program, and hope our continued support provides a solid foundation of information to our military community in the area of mental health.

POST TRAUMATIC STRESS DISORDER

20. Senator KENNEDY. Secretary Winkenwerder, the mental health of our servicemembers while they are deployed, or at home, or even when they are retired is of great importance. The stress they endure to protect our country can be huge. What other mental health measures are you preparing for troops returning home from Iraq and Afghanistan?

Dr. WINKENWERDER.

Post Deployment Health Assessments

Within 7 days of redeploying home, or after arriving home, servicemembers receive global health assessments regarding in-theater environmental and trauma exposures, physical symptoms, and mental health concerns. Each assessment is privately reviewed with the member by a medical provider who determines whether further specialized evaluation/care is indicated for any health concern. Referrals are made to specialists, as indicated, which may include mental health providers.

An integral part of the demobilization process is a series of briefings to servicemembers and their families about reintegrating into their home environment and transitioning from a combat mentality. Briefings for members prior to coming home and family briefings address potential reunion challenges, helping servicemembers and their families to adopt realistic and flexible transition approaches.

Post Deployment Health Reassessments

Servicemembers may develop physical symptoms or mental health concerns several months after returning home from a deployment; therefore, a Post Deployment Health Reassessment is conducted 3 to 6 months after returning from combat theaters. In addition to documenting exposures and physical symptoms, assessments include those for mental health concerns (e.g., PTSD). The results are privately reviewed by a provider with the patient to determine whether further evaluation and referral for specialty care is indicated. Ongoing family support services are readily available throughout the post deployment period, in addition to chaplain, mental health, and medical resources.

Seamless Transition of Care to the Veterans Health Administration

Servicemembers leaving Active-Duty after combat service in either Operation Enduring Freedom or Operation Iraqi Freedom, whether by completing their Active-Duty commitment or by deactivating from the Reserves or National Guard, are entitled to priority care from the Veterans Health Administration for 2 years. The DOD and Department of Veterans' Affairs (VA) Offices of Seamless Transition work to ensure servicemembers do not experience a gap in care during what can be a vulnerable period, especially for those with psychological symptoms as a result of their ex-

periences. The VA/DOD Mental Health Work Group of mental health experts is chartered to increase levels of collaboration and to ensure a strong safety net for those suffering mental health disorders. Essential to the smooth flow of veterans' care is transfer of medical records for separating personnel to the VA, including deployment exposures documented in Post Deployment Health Assessments. Extensive work interfacing medical information technology systems has enabled the transfer of post deployment health data, allowing accurate line-of-duty determinations. In addition, military and VA health systems at many locations now share real time medical data, such as lab and other clinical test results. At a few locations, all medical data are visible on both military and VA systems. In addition to these efficiencies, current development of a common military separation process, including exams, will obviate the need for two assessments for the same condition, one by the military and one by the VA. The VA and the DOD collaborated to develop common Clinical Practice Guidelines, including those for management of PTSD, Post Deployment Health Evaluation and Management, and psychosis. Additionally, for some Reserve and National Guard units, VA mental health staff members conduct onsite post deployment briefings for servicemembers and their families, with a special emphasis on mental health issues and available benefits.

Additional Mental Health Care Benefits after Discharge/Deactivation

Servicemembers and their families also receive TRICARE benefits for 180 days after the member leaves Active-Duty, a benefit made permanent by the National Defense Authorization Act for Fiscal Year 2005. Family members do not need a specialty referral for mental health care.

21. Senator KENNEDY. Secretary Winkenwerder, record numbers of these troops are being diagnosed with PTSD. We haven't seen this type of mental health situation in our troops and veterans since the Vietnam War. The disorder can be life-threatening for our troops and completely debilitating for veterans in the workforce or seeking employment. What steps are you taking to mitigate the negative effects of PTSD in our servicemembers and veterans?

Dr. WINKENWERDER. Some servicemembers returning from Operation Enduring Freedom and Operation Iraqi Freedom are at increased risk for trauma-related symptoms. Servicemembers who are exposed to violence or the possibility of death or serious injury are at increased risk for PTSD. Our approach to mitigating the negative effects of trauma is to prevent them, if possible, identify symptoms early, and treat affected servicemembers before the symptoms meet criteria for actually diagnosing PTSD. Some of our servicemembers may go on to develop this disorder and are treated using the clinical practice guidelines developed by the VA and DOD in collaboration. Treatment may include both psychotherapy and medication.

The first step in preventing PTSD is recruiting mentally fit servicemembers. Military training then provides realistic scenarios and rigorous challenges to offer a form of "stress inoculation" that accustoms servicemembers to combat threats and potential trauma. For many of our troops, realistic training is provided by actually simulating what they can expect in current theaters of operation, including the use of low-potency improvised explosive devices. This kind of training better enables servicemembers to cope with the challenges of combat.

Those affected in the field by their traumatic exposures have opportunities with embedded and circulating chaplains and mental health personnel to process their experiences and come to terms with grief when a colleague is injured or killed. Those who do not recover with extra support in a few days may leave the theater for more intensive treatment, if indicated.

Programs for returning soldiers and their families emphasize the importance and normality of "resetting" after returning home from a war zone. This is done by focusing on some of the adaptive aspects of PTSD in a war zone (for example, hyperarousal and hypervigilance) that can be "reset" in the safety of life at home. Parallel member and family preparation programs help both to adjust to each other upon return, as well as inform them of numerous resources available to them for help, as needed.

For servicemembers who are not sure whether they should get help for some of their mental health concerns or who are concerned about stigma, they can anonymously take an online screening for PTSD at www.militarymentalhealth.org. Depending upon their indicated symptoms, this Web site may recommend they seek help. If they are still concerned about anonymity and stigma, servicemembers and their families can sign on to www.militaryonesource.com, e-mail, and/or call Military OneSource counselors. Masters level counselors are available 24-hours a day, free of charge to help service and family members to have some sense of the seriousness of their symptoms and provide the full range of referral options for appropriate care,

as indicated by their status as Active-Duty, reservists, Guard, or deactivated members. These services may be provided by military medical facilities, TRICARE, or the VA, depending upon the status of the member and their location. Military OneSource counselors can also meet with members and/or their families to provide face-to-face family support sessions, up to six for each identified problem.

As with physical illnesses, not every person with a mental health problem will be fit for military duty, but the vast majority will recover and continue performing their duties well. For them, and even for those who leave the military, life is much better when they receive help.

22. Senator KENNEDY. Secretary Winkenwerder, to what extent is the Mental Health Self Assessment Program used to mitigate the negative effects of PTSD?

Dr. WINKENWERDER. The Mental Health Self Assessment Program is designed to help educate servicemembers and their families about the signs and symptoms associated with some of the commonly occurring mental health concerns associated with deployment. In society in general, there has been an overall lack of good information about mental health concerns such as PTSD. This program will benefit the mental health of our servicemembers and their concerned family members in three basic ways. First, it provides a safe and secure way to get solid personalized information about the signs and symptoms of PTSD. Second, it serves to encourage those who experience early symptoms to seek treatment. Third, it provides vital information on counseling and mental health treatment options available to our servicemembers and their families.

We know that when symptoms are identified early, treatment is more effective. We also know that treatment is more effective when the individual self-refers for care rather than being compelled into treatment. By providing easily assessable, anonymous symptom checklists along with solid information and benefits information, we hope to see more of our men and women in uniform and their family members entering into treatment, returning them to the high quality-of-life they deserve.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. AKAKA

MILITARY HEALTH SYSTEM

23. Senator AKAKA. Secretary Chu, in your testimony you state that the DOD's military medical transformation is shaped by the recommendations for the Military Health System (MHS) contained in the Quadrennial Defense Review, Medical Readiness Review, and the Base Realignment and Closure (BRAC) Commission.

Does the DOD have any plans to conduct an independent audit of its MHS? If no, why? If yes, what is the time frame for the audit?

Dr. CHU. The MHS has been the subject of a multitude of independent studies by the GAO, the DOD Inspector General, as well as Service-specific audit agencies. GAO audits have already begun on the BRAC process. We carefully review all audits and studies and use their recommendations to constantly improve our processes.

POST TRAUMATIC STRESS DISORDER

24. Senator AKAKA. Secretary Chu, your testimony suggests that only a minority of servicemembers returning home require mental health services yet, according to recent Army statistics, 35 percent of soldiers and marines returning from Iraq sought mental health care and 19 percent were diagnosed with a mental disorder like PTSD, depression, or anxiety within a year of coming home.

Does the DOD currently have a sufficient number of mental health professionals and facilities to ensure that all servicemembers who require mental health care receive adequate treatment? If no, what plans does the DOD have to increase this capacity?

Dr. CHU. The Service branches have been resourced to provide the care our servicemembers require. They formulate staffing solutions that work best for their branch and existing military mental health resources. This may include contracting providers either for full-time staffing or for surge evaluations that may be associated with demobilizations or post deployment reassessments. VA mental health professionals play a vital role supporting post deployment health reassessments, and the 2-year VA entitlement available to Reserve, Guard, and separating Active-Duty members provides a substantial boost in capacity.

TRICARE

25. Senator AKAKA. Secretary Chu and Secretary Winkenwerder, the proposed changes to TRICARE benefits would introduce a three-tier fee structure for retirees under age 65 based on their retired rank. This type of fee structure could cause undue hardship for retired officer or senior enlisted without the necessary financial resources. Has there been any discussion of means testing the proposed fee changes?

Dr. CHU and Dr. WINKENWERDER. We considered and decided against a means test. The three-tier system we are proposing already reflects the differences in retiree pay that retired officers and retired senior and junior enlisted members receive.

26. Senator AKAKA. Secretary Chu and Secretary Winkenwerder, access to TRICARE for reservists is an important recruitment tool. In addition to introducing a new fee schedule which would raise the annual enrollment fees for retirees under age 65, the proposed TRICARE changes would also would raise the annual enrollment fee for TRICARE Prime and introduce a new annual enrollment fee for TRICARE Standard as well as increasing TRICARE Standard's annual deductible. In what way would these proposed changes impact DOD recruiting and retention efforts?

Dr. CHU and Dr. WINKENWERDER. If the TRICARE program is not on firm financial footing, the benefit will erode, which will adversely affect recruiting and retention. Fee increases for retirees under the age of 65 are essential to sustaining the benefit and protecting recruiting and retention.

[Whereupon at 3:45 p.m., the subcommittee adjourned]

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