

Introduction

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

Today's personnel overview is much more than a "report card" or a request for new legislation. I will be addressing the many ways that we are supporting our troops and their families, and the many issues that confront them. With your continuing support, I know that we can continue to attract and retain the best and brightest, and sustain the high quality of our all-volunteer force. Our young men and women and their families deserve the best we can give them.

In my overview, I will outline the critical steps we have taken to attract and retain talent in our Armed Forces – including targeted pay raises and numerous quality of life improvements for the service members and their families. Today, I will discuss a number of initiatives we are undertaking, such as reducing stress on our forces, rebalancing capabilities in the active and reserve components, building a foreign language capability, making military families a top priority, improving DoD healthcare management, to name but a few.

Using authorities and flexibility you have provided us, we have numerous initiatives underway to improve management of the force, and to increase readiness. With your help last year, we are now establishing a new National Security Personnel System that should help us better manage our 746,000 civilian employees. Similarly, we are using the new authorities granted us last year to preserve military training ranges while keeping our commitment to responsible stewardship of the environment. Flexible authorities that leverage readiness best serve our national defense.

We do face some challenges, such as the growing list of military entitlements that do not leverage readiness. With your continuing support, however, I am confident we can appropriately compensate our service members and their families for their sacrifices, yet maintain fiscal integrity.

End Strength

Reducing stress on our forces is a top priority. Some have called for a permanent increase in end strength. We do not believe this is wise. We continue to review the adequacy of our military capabilities to ensure that we meet our nation's security needs. End strength is a critical determinant of capability, but only one of many other factors. A permanent increase is not in the nation's long-term interest. We have a number of other initiatives underway to increase our near-term and long-term capabilities while relieving near-term stress on the force.

The Services have begun converting 10,000 military positions to civilian in FY 2004 and have programmed an additional 10,000 conversions for FY 2005. The military end strength made available from these conversions will be used by the Army, Air Force, and Marine Corps to significantly improve long-term military capability and reduce stress on the Active and Reserve components. The Navy's military-to-civilian conversions will result in military end strength reductions and substantial cost savings, thanks in part to fleet modernization.

Moreover, by employing transformational force management practices, the Services can perhaps achieve the greatest degree of flexibility in utilizing the Total Force, while reducing both the stress on critical career fields and the need for involuntary mobilization. Force rebalancing, continuum of service, reach-back operations, rotational overseas presence, and improvements in the mobilization process can help to ensure that the Services have quick access to individuals

with the skills and capabilities required for both emergency operations and sustained, day-to-day activities.

Given the flexibilities the law accords to the Secretary and the military departments, adequate temporary end strength increases can be pursued as necessary. As you will recall, Congress amended title 10 in the FY 2003 National Defense Authorization Act to allow the Secretary to temporarily exceed end strength by 3% instead of the previous 2% authority. Such temporary authority provides an efficient and timely way to meet service requirements. The Army is using this flexibility while it continues current operations and reconfigures for future engagements. We anticipate that the requirement for this end strength “spike” will dissipate as the Global War on Terrorism military manpower needs abate, the Army transition stabilizes, and our other initiatives take effect.

The United States can afford whatever military force level is necessary and appropriate to ensure our national security, but adding permanent military end strength should be the last choice...not the first. The costs are sizable over the lifetime of each added service member. Further, it takes time to recruit, train, and integrate new military personnel—the desired results will not materialize in the short run. Additionally, the funds required for a permanent increase in military end strength would crowd out funding for the transformational capabilities that are essential for our future security and offer the best way to reduce stress on both our current and future forces. Consequently, we should focus our efforts on making better use of our existing end strength so that we can reduce stress on the force while concomitantly increasing our capability.

Rebalancing the Force

The Reserve components are making significant and lasting contributions to the nation’s

defense and to the Global War on Terrorism while the Department of Defense transforms to a more responsive, lethal, and agile force. However, it has become evident that the balance of capabilities in the Active and Reserve components is not the best for the future. There is a need for rebalancing to improve the responsiveness of the force and to help ease stress on units and individuals with skills in high demand.

Ensuring we have the right balance of our capabilities requires a multifaceted approach by the Department—no single solution will resolve the challenges faced by the Services. To achieve this goal, we have engaged in a cohesive rebalancing strategy to achieve the right force mix. The strategy consists of the following points:

- Move later deploying AC forces forward in operations plans and early deploying RC forces later in the plan; shift assets among combatant commanders
- Introduce innovative management techniques (such as enhanced volunteerism, expanded use of reachback, and streamlining the mobilization process to improve responsiveness)
- Rebalance capabilities by converting lower priority structure to higher priority structure both within and between the AC and RC

Through a comprehensive rebalancing strategy, we will gain added efficiencies from the existing force structure that may preclude any necessity to increase force end strength. The rebalancing strategy has as its objectives: to enhance early responsiveness by structuring forces to reduce the need for involuntary mobilization during the early stages of a rapid response operation; to spread mobilizations/deployments across career fields by structuring forces to achieve reasonable and sustainable rates; and to employ innovative management practices. By employing innovative force management practices, the Services can perhaps achieve the greatest

degree of flexibility in utilizing the Total Force, while reducing repeated use in certain career fields and the need for involuntary mobilization.

Rebalancing efforts will not happen overnight. This process will be iterative and ongoing, as demands on the Total Force change and new requirements demand different skill sets. Already, in 2003, the services have rebalanced some 10,000 positions within and between the active and reserve components. For example, the Army is transforming 18 Army Guard field artillery batteries into military police. We intend to expand those efforts this year by rebalancing an additional 20,000 positions and will rebalance another 20,000 in 2005 – for a total of 50,000 rebalanced positions by the end of next year. Rebalancing is planned for such critical fields as civil affairs, psychological operations, chemical, special operations forces, intelligence, and military police. Indeed, we are accelerating the creation of 19 MP provisional units through conversions.

Active Deployment and Reserve Mobilizations

Since the beginning of the GWOT, approximately 171, 250 active duty members have been deployed (OEF and OIF). As of December 31, 2003, 1, 423,341 service members were on active duty.

In the Reserve components, we are in the midst of one of the longest periods of mobilization in our history. The men and women of the National Guard and Reserve have responded promptly and are performing their duties, as the Nation requires. As of 31 December 2003, we had mobilized 319,193 Reserve personnel, since the beginning of the GWOT, who are performing and have performed magnificently throughout the world. We are managing these call-ups in a prudent and judicious manner, assuring fair and equitable treatment as we continue to rely on these citizen-soldiers.

As of 31 December 2003, there were 181,459 mobilized under 10 USC (12302).

- Army National Guard: 91,079
- Army Reserve: 65,079
- Air National Guard: 6,420
- Air Force Reserve: 9,376
- Navy Reserve: 1,562
- Marine Corps Reserve: 6,774
- Coast Guard Reserve: 1,169

Managing Force Capabilities in High Demand Skills

With the Global War on Terrorism and the ongoing mobilization of Guard and Reserve members, we are monitoring the capabilities in the Reserve components that are in high demand. We have identified actions necessary to reduce the demand on these capabilities, where necessary.

About 320,000 RC members have been called to active duty in support for the Global War on Terrorism since September 11, 2001. To assess the capabilities that are projected to be in demand as we prosecute the war on terrorism, the Department has conducted an analysis of what elements of the RC have been called-up—evaluating that usage in terms of:

- Frequency of call-up—the number of times members have been called to active duty since 1996,
- Percentage of available pool—what percent of the RC force has already been used to support current operations, and
- Duration—how long the members served when they were called-up.

Frequency of call-up- To date, a relatively small number of RC members have been called up in support of the current operation who were called up for other contingency operations in the last eight years. Less than 12,000 out of the 876,000 members in the Selected Reserve (or just over 1 percent) have been called up in support of multiple contingencies since 1996. Another 16,000 (or about 2 percent of the Selected Reserve) have been called up more than once for the Global War on Terrorism. Overall, the frequency of call-ups does not indicate an excessively high demand on the Reserve force at this time.

Percent of available pool—Through December 2003, 36 percent of the Selected Reserve force was mobilized in just over two years of this operation. However, the usage rate is not consistent across the force. Some career fields—like force protection assets, civil affairs, intelligence and air crews—have been used at a much higher rate. And other career fields—like medical administration, legal, and dental care—have been used at a much lower rate. Currently, the utilization is concentrated in about ¼ of officer career fields and about 1/3 of the enlisted career fields; furthermore, the highest utilization is concentrated in a relatively small number of selected career fields.

Duration— Tour lengths for RC call-ups have increased for every operation since Desert Shield/Desert Storm. The average tour length for Desert Shield/Desert Storm was 156 days. For operations in Bosnia, Kosovo, and SWA, tours were for about 200 days. For those members who have completed tours of duty during the current contingency, tour lengths have averaged about 320 days. To mitigate the depletion of the available pool of reserve assets, the Department policy is to utilize volunteers to the maximum extent possible. Reserve component members will not serve involuntarily more than 24 cumulative months.

Continuum of Service

We are in our second year of implementing a new approach in force management called “continuum of service.” The continuum of service will facilitate varying levels of participation and enable military personnel to move back and forth between full-time and part-time service. Particularly for reservists, this approach would make it easier for them to voluntarily move up to full-time service for a period of time, or into a participation level somewhere between full-time and the traditional 38 days of reserve training each year. Or it would allow them to move in the other direction – fewer days of participation as their circumstances dictate. Similarly, an active service member could move into a Reserve component for a period of time, without jeopardizing his or her career and eventual opportunity for promotion. Just as the continuum of service model encourages volunteerism among the standing force, it also creates opportunities for military retirees and other individuals with specialized skills to serve on a more flexible basis, if their skills are needed.

The continuum of service model has a number of important advantages: in addition to capitalizing on volunteerism, it will enhance the ability of the Armed Forces to take advantage of the high-tech skills many Reservists have developed by virtue of their private sector experience – while at the same time creating opportunities for those in the Active force to acquire those kinds of skills and experiences. And it improves our capability to manage the military workforce in a flexible manner, with options that currently exist only in the private sector. Finally, there are certain skills that are hard to grow or maintain in the full-time force, but may be ideally suited for part-time service in a Reserve component, such as certain language skills and information technology specialties. The continuum of service can provide the opportunity for highly trained

professionals to serve part-time and provide a readily available pool of these highly specialized individuals who would be available on an as-needed basis.

There are several areas in which we need your assistance to implement the continuum of service. They include providing more consistency in management and accounting of reservists serving on active duty, providing greater flexibility in using inactive duty for reach-back and virtual duty, allowing for an alternative military service obligation and streamlined basic training for certain individuals accessed into the force with unique civilian acquired skills, and providing the authority to establish auxiliaries for the Army, Navy and Marine Corps, modeled after the very successful Coast Guard Auxiliary. These modest, but significant changes will help the Department optimize the use of the force and facilitate volunteerism, thus reducing the need to involuntarily call-up Guard and Reserve members. Legislative proposals to effect these changes will be forwarded to the Congress for your consideration.

Balancing Critical National Security Resources

To preclude conflicts between Ready Reserve members' military mobilization obligations and their civilian employment requirements during times of war or national emergency, the Department conducts a continuous "screening" program to ensure the availability of Ready Reservists for mobilization. Once a mobilization is declared—as occurred on September 14, 2001 -- all screening activities cease and all Ready Reserve members are considered immediately available for Active Duty service. At that time, no deferments, delays, or exemptions from mobilization are granted because of civilian employment.

However, due to the unique situation that was created by the events of September 11, 2001, the Department immediately recognized that certain federal and non-federal civilian employees were critically needed in their civilian occupations in response to the terrorist attacks

on the World Trade Center and Pentagon. Accordingly, the Department established a special exemption process to help accomplish overall national security efforts. As of December 31, 2003, we have processed 263 requests from civilian employers to delay or exempt a reservist-employee from mobilization. We approved 98 requests for exemptions, 90 reservists were authorized a delay in reporting to give the employer time to accommodate the pending mobilization of the employee, and 75 requests were denied. We continue to receive exemption requests as additional reservists are identified for mobilization and process them as expeditiously as possible.

Employer Support of the Guard and Reserve

Employer support for employee participation in the National Guard and Reserve is absolutely critical to recruiting and retaining quality men and women into our Reserve forces. Building employer support requires a strong network comprised of both military and civilian-employer leaders, capable of fostering communication, education and an exchange of information. Employers' understanding of their legal requirements concerning support for Guard and Reserve employees is imperative.

The National Committee for Employer Support of the Guard and Reserve (ESGR) is the Department's primary office for outreach and education to employers. ESGR coordinates, trains, funds and directs the efforts of a community based national network of over 4,200 volunteers, organized into 55 committees located in every state, the District of Columbia, Guam, Puerto Rico, the Virgin Islands and in Europe. ESGR has developed and implemented new training programs for their volunteers, planned new industry symposia to bring together industry segments with military and Department leaders, expanded their presence at industry conferences,

and further developed and enhanced their partnerships with the National Chamber of Commerce, state and local Chambers of Commerce, and local and national Human Resource organizations.

Although we established a Guard and Reserve Employer Database in late 2001 in which reservists could voluntarily provide information about their civilian employers, we were having limited success in populating the database. However, information about the civilian employers of reservists is necessary for the Department to meet its statutory responsibilities to consider... “civilian employment necessary to maintain national health, safety, or interest”(10 USC, Sec. 12302) ... when determining members to be recalled, especially members with critical civilian skills and to inform employers of reservists concerning their rights and responsibilities under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Last year we began laying the groundwork for a mandatory reporting program. That effort will culminate with the rollout of a new Civilian Employment Information (CEI) Program this spring. Under the CEI program, reservists will be required to provide information about their employers. We have been working closely with the Services and the Reserve components in the development of this program to ensure we protect the privacy of reservists with respect to the use of this information on their civilian employers. For example, we would not directly contact an employer about an individual reservist unless the reservist asked for our assistance with an employer issue. But we could work with an employer as part of our broader efforts to inform all employers about the Guard and Reserve.

Populating the Guard and Reserve Employer Data Base is critical in order to clearly focus employer outreach efforts. It will enable us to work closely with the civilian employers who are directly affected by the mobilization of reservists. The use of this program will also assist in other research projects we have undertaken to determine if and when significant problems with

employers are emerging. Understanding the challenges civilian employers must address will help us identifying steps we can take that will be most beneficial to them—strengthening our employer support program and making service in the Guard and Reserve easier for our members.

The Value of the Reserve Components

The FY 2005 Defense budget recognizes the essential role of the Reserve components in meeting the requirements of the National Military Strategy. It provides \$31.3 billion for Reserve component personnel, operations, maintenance, military construction, and procurement accounts, which is approximately 1% above the FY 2003 appropriated level. This represents 8.3% of the overall DoD budget, providing a great return on the nation's investment. Included are funding increases to support full-time and part-time personnel, and the required sustainment of operations. It also continues last year's effort toward Reserve Component equipment modernization and interoperability in support of the Total Force policy.

These funds support nearly 862,900 Selected Reserve personnel requested in the President's Budget. The Selected Reserve consists of the following: Army National Guard 350,000; Army Reserve 205,000; Naval Reserve 86,000 , Marine Corps Reserve 39,600, Air National Guard 106,700 , and Air Force Reserve 75,600 , Coast Guard Reserve 11,000 (funded by DHS). Our total Ready Reserve, which also includes the Coast Guard Reserve, Individual Ready Reserve and Inactive National Guard is 1,188,074 personnel.

Entitlements Growth

Military Compensation

Sound compensation practices are essential to attracting and retaining the caliber of individuals needed for a robust All Volunteer Force. With the support of Congress, we have made great progress over the last few years in improving our members' basic pay. Since Fiscal

Year 2000, basic pay has increased 29 percent. Particularly noteworthy, mid-grade noncommissioned officers, who represent the core of experience and talent in our military services, have seen their pay increase an average of 35 percent.

Likewise, we applaud the Congress' continued support for reducing military members' out-of-pocket housing costs, which stood at nearly 18 percent in Fiscal Year 2000. Through Basic Allowance for Housing increases during each of the past few fiscal years, we will achieve our goal of totally eliminating average out-of-pocket housing costs with this year's President's budget.

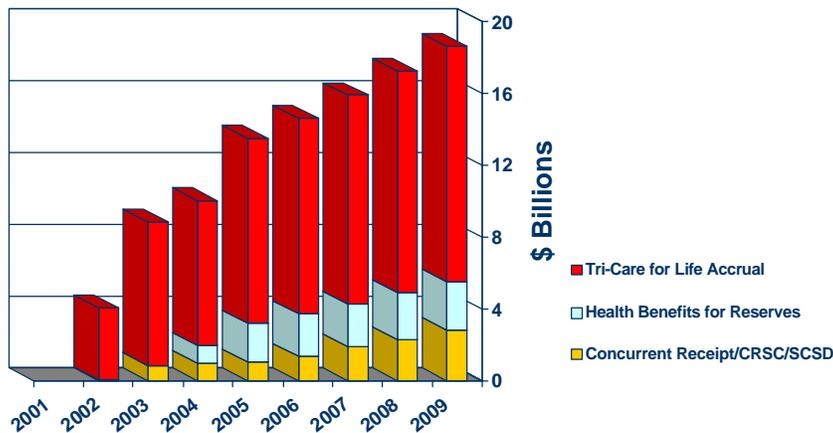
To capitalize on our successes in recruiting and retention and sustain that momentum, we must continue to invest in items that leverage readiness. Authorities for flexible compensation tools enable the Department to tailor incentives to respond to specific readiness demands and provide the capacity to efficiently start and stop them. For example, we are seeking an increase in the ceiling for Hardship Duty Pay, which will furnish the Department with the ability to compensate appropriately members who are repeatedly deployed away from their families and placed in harm's way in support of contingency operations. Additionally, increased use of the recent Assignment Incentive Pay authority will provide a viable means of incentivizing hard-to-fill duty stations, such as Korea and other remote locations, which directly impacts unit readiness in a positive way.

Conversely, we discourage the expansion of entitlements and the creation of new ones that do not leverage readiness. For example, TRICARE for non-active reservists and their families could have a long-term fixed cost of \$1 billion annually with little payoff in readiness. The phase-in of concurrent receipt for retirees with at least a 50 percent disability and expansion of the Combat-Related Special Compensation program, while not directly reflected in the

Department's budget, will cost \$6.1 billion a year within 10 years (\$4.1 billion from the DoD retirement fund and \$1.5 billion from VA entitlements) , funds that could potentially be applied to areas that better address national security needs. The chart below illustrates the growth in the cost of recent new entitlements since 2000, projected out to 2010.



Entitlements Growth



FY 2004 Data

OUSD(P&R) / Military Personnel Policy

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This year, we understand the Congress may be considering additional expansions of entitlements programs, such as lowering the age Reserve retirees receive their annuity from 60 to 55. Preliminary, rough estimates indicate that this could cost \$6.6 billion in payments, nearly \$4 billion in added health care costs, and \$14 billion in Treasury outlays over the next 10 years. Yet, we have no evidence this would help shape the force or improve readiness; most Reservists who would immediately benefit are already retired. Proposals to eliminate the reduction in survivor benefits that takes place at age 62, from 55 percent to 35 percent of military retired pay, when social security provides the difference, could cost \$800 million the first year and exceed \$1 billion per year within five years. A five-year phase-in has been scored by CBO to cost \$7

billion over 10 years. The phase-in of concurrent receipt, if expanded to full concurrent receipt, would equal \$8.4 billion a year within 10 years (almost 40 percent greater than the newly-passed benefits).

More long-term entitlements are not the answer to our readiness issues. We need flexible compensation and benefit authorities that can focus benefits to support members deployed to a theater of hostilities, as well as their families, and can be terminated when no longer necessary. We firmly believe authorities of the type that leverage readiness best serve the national defense.

Military Health System Funding

Defense Health Program (DHP) costs continue to rise, reflecting increased utilization by beneficiaries returning to the MHS for their care. In 2003, the DHP experienced a seven percent increase in new users; we anticipate that the growth rate in 2004 will also be seven percent. These growth rates reflect healthcare increasing costs in the private sector and the consequent election of MHS-eligible beneficiaries to return to TRICARE. Activation of Reserve Component members brings additional eligible beneficiaries to the MHS.

The Department has initiated several management actions to use resources more effectively and thus help to control the increasing costs of healthcare delivery. The MHS will implement performance-based budgeting that focuses on value rather than cost of healthcare. An integrated pharmacy benefits program including a uniform formulary based on relative clinical and cost effectiveness is being established. Federal pricing of pharmaceuticals in the TRICARE retail pharmacy program will be used to generate significant cost avoidance. Utilization management programs continue to ensure that all provided care is clinically necessary and appropriate.

We need your assistance by restoring the flexibility to manage DHP resources across budget activity groups. Our new healthcare contracts use best-practice principles to improve beneficiary satisfaction and control private sector costs. Our civilian partners must manage their enrollee healthcare and can control their costs by referring more care to our military treatment facilities (MTFs), or our direct care system. In concert with the new contracts, we will implement 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 back and forth from the MTFs to the private sector. Currently, MTFs' revised financing funds are in the private sector budget activity group. Fencing DHP funds not only prevents transfer of funds from MTFs to the Private sector, but also prevents transfer of private sector funds to the MTFs. Fencing DHP funds does not allow MTFs to use these revised financing funds to increase their productivity and workload without prior approval reprogramming. We understand and appreciate that the Congressional intent was to protect direct care funding; however, fencing the DHP funds will adversely affect both the MTFs and care in the private sector. We urge you to allow the MTFs and the Military Health System to manage the DHP as an integrated system. Funds must be allowed to flow on a timely basis to where care is delivered. Reprogramming is a three to six month process.

Reserve Health Benefits

In addition to the enhanced benefits the Department offered to activated Reserve Component members and their families during 2003, the FY 2004 DoD Supplemental Appropriations Act included even more new benefits. The new temporary reserve health program offers us the ability to assess its benefits after the trial period is over. We will look to see if they adequately enhanced access to care for our reserve component members and their families and improves our

readiness as a fighting force. Assuring the medical readiness of reservists when they are called to active duty registers as one of our highest priorities. Plus, providing excellent benefits to the families of activated reservists and supporting them in the transition to and from active duty are vitally important responsibilities. Looking to the future, we need to proceed cautiously in considering costly new entitlements for reservists who have not been activated. A key issue would be the effect of a new entitlement on recruitment and retention of both reserve and active duty component members.

Improving Military Personnel Management

Recruiting

The success of our All-Volunteer Force starts with recruiting. During FY 2003, the military Services recruited 178,350 first-term enlistees and an additional 6,528 individuals with previous military service into their active duty components, for a total of 184,878 active duty recruits, attaining over 100 percent of the DoD goal of 184,366 accessions.

The quality of new active duty recruits remained high in FY 2003. DoD-wide, 95 percent of new active duty recruits were high school diploma graduates (against a goal of 90 percent) and 72 percent scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60 percent).

In the Reserve Components, during FY 2003, the Military Services recruited 259,290 first-term enlistees and an additional 84,312 individuals with previous military service for a total of 343,602 recruits, attaining 104 percent of the DoD goal of 331,622 accessions. All Active and Reserve Components, except the Army National Guard, achieved their accession goals

We are closely monitoring the effects of mobilization on recruiting and retention, especially for the Reserve components. The Reserve endstrength objective for FY 2003 was

achieved. Despite a recruiting shortfall, the Army National Guard did achieve its endstrength, thanks to low attrition. The recruiting picture for the Army National Guard is much better through the first quarter of FY 2004—achieving 102 percent of mission thus far.

We are optimistic that all Services will achieve their active duty recruiting goals this fiscal year. All Services entered FY 2004 with a sizable delayed entry program, and all Services are ahead of their year-to-date goals for active duty recruiting. Unlike the Active Component, the Reserve Components do not routinely contract recruits for accession into a future period. So, while the Active Components entered FY 2003 with healthy delayed entry programs, the Reserve Components must recruit their entire goal in this current fiscal year.

The trend of an increasing percentage of Reserve Component recruits without prior military service continues. Approximately 50 percent are now expected to come directly from civilian life. This is a result of high Active Component retention contributing to lower Individual Ready Reserve populations.

For 2004, all Reserve components are continuing to focus their efforts on maintaining aggressive enlistment programs by using both enlistment and re-enlistment incentives in critical skill areas. Emphasis will be placed on the prior service market for both officers and enlisted personnel. The Reserve components will expand their efforts to contact personnel who are planning to separate from the Active component long before their scheduled separation and educate them on the opportunities available in the Guard and Reserve. In addition, the Reserve components will increase their efforts to manage departures. All Reserve components are achieving success in retention, with year-to-date attrition well below previous years.

The Services accessed 17,909 commissioned officers to active duty in FY 2003. The Marine Corps met its numerical commissioning requirement, with the Army and Navy finishing

the year within 1.5% of their requirement. The Air Force finished with a shortfall of 4%, almost exclusively in medical specialty direct appointments. In FY 2004, active duty officer accessions are on track in all Services for numerical success this year. In FY 2003, the Reserve components reduced the shortfall of junior grade officers by adding an additional 1,455 officers to the force.

Retention

In FY 2003, retention was good. Services met virtually all of their retention goals. The Marine Corps barely missed its goal for retaining first-term personnel and the Air Force fell slightly short of its goal for retaining individuals in their second term of service. Despite extended deployments, long separations, and dangers of combat, soldiers are staying with the Army. This year's FY outlook remains optimistic as evidenced by our 1st quarter achievements.

Active Duty					
Enlisted Retention, 1QTR FY04	<u>Reenlisted</u>	1st QTR Goal	% of Goal	FY04 Goal	FY 05 Goal
<u>Army</u>					
- <i>Initial</i>	6121	6,141	99.7%	23,000	19,949
- <i>Mid Career</i>	5046	5,276	95.6%	20,292	23,528
- <i>Career</i>	3411	3,330	102.4%	12,808	11,881
Navy					
- <i>Zone A</i>	63.1%	56%	Exceeded	56%	Not available
- <i>Zone B</i>	76.3%	70%	Exceeded	70%	Not available

- Zone C	88.5%	85%	Exceeded	85%	Not available
<u>Air Force</u>					
- 1 st Term	67%	55%	Exceeded	55%	55%
- 2 nd Term	75.5%	75%	Exceeded	75%	75%
- Career	97.5%	95%	Exceeded	95%	95%
<u>Marine Corps</u>					
- 1 st term	4,351	3,813	114%	5,958	5,850
- Subsequent	2,299	1,407	164%	5,628	5,900

The Services are adequately resourced to meet their retention goals provided the tempo and economic conditions remain at the same level as the last fiscal year. We will be monitoring retention carefully should the tempo increase further, or if economic developments require us to consider implementing additional incentives.

Joint Officer Management (JOM)

The mission requirements of the military are more focused on joint tasks; in fact, Joint Task Forces now define the way in which we array our forces for war and that has filtered down into our training methods. Military organizational structures have evolved to meet these new joint warfighting requirements. The Department's management processes for joint duty assignments, education and training are governed by the 1986 Goldwater-Nichols Act.

Although we have experienced profound success, the operating environment we face has changed since the early days of the Goldwater Nichols Act. In response, the Department is refining our strategic plan for joint officer management, education and training, and is using the

ongoing, Congressionally-mandated, Independent Study of Joint Management and Education to help evaluate and validate how we best meet the challenges of the early 21st century.

We look forward to working with Congress in strengthening joint management and training. As a modest start, we are proposing several administrative reforms to simplify and streamline processes and program requirements: modifying the definition of a “tour of duty” to count multiple consecutive joint tours as one continuous tour; modifying annual reporting requirements by adding more meaningful metrics for measuring joint compliance; allowing the accomplishment of Phase II Joint Professional Military Education (JPME) in less than 3 months; and making permanent the joint promotions policy objective for the “other joint” category, which includes Joint Staff Officers, to greater than or equal to the Service board average.

The Department is assessing the entire career continuum of officer education and training, including joint requirements, with the goal of reducing the amount of in-residence time required, maximizing viable advanced distributed learning (ADL) opportunities, and integrating joint requirements. We want to train and develop our leaders like we fight—in a joint environment, and we are moving quickly to match policy to today’s operational environment. We seek the Congress’ assistance in making these changes in law that might be necessary to support those common objectives.

Building a Foreign Language Capability

Lessons from current operations and the Global War on Terrorism have demonstrated the need for increased language ability and accompanying area knowledge within our Armed Forces, and an increased emphasis on languages reflective of the post Cold War threat.

We need to change the way foreign language expertise is valued, developed and employed within the Department, and language needs to be viewed as a military readiness

capability. For present and future operations, we need members of the Armed Forces who can understand and communicate in languages other than English. This includes service members with language ability more sophisticated than that routinely achieved through our current language training and public and private education systems. We need a way to equip deploying forces with a sufficient ability to communicate in the language of the land. We also need a plan for surging capability beyond that of the military forces, when required. We need service members and leaders who understand the complexities of languages and cultures in a global society.

Much work needs to be done in this area, and we have engaged a number of studies to inform our decisions. We have already initiated the development and employment of crash courses for troops deploying to Iraq. The Army is executing a pilot Individual Ready Reserve program that targets the enlistment of Arabic speakers for support as linguists.

With over 1,300 faculty and 3,800 students, the Defense Foreign Language Institute's Foreign Language Center (DLIFLC) is the world's largest foreign language school – and our primary source of language instruction. An oft-quoted statistic is that DLIFLC has more faculty teaching DoD's five highest enrollment languages than all U.S. students graduating in those languages nationwide. It is an institution whose product – a language qualified graduate—is critical to global U.S. military operations. Our first area of emphasis is to ensure that this school house can support our language capability requirements.

Our FY 2005 goal is to ensure the center can meet critical requirements by teaching basic language to troops prior to deployment, to improving training development, and to improving the capability to produce linguists with an advanced degree of language competence.

Rest and Recuperation Leave (R&R)

Over 46,000 Service members and DoD civilians have participated in the R&R Leave Program in support of OIF and OEF. The R&R Leave Program is vital to maintaining combat readiness when units are deployed and engaged in intense operations. Feedback from Service members participating in the R&R Leave Program indicates it is a successful program offering Service members a respite from hostile conditions, an opportunity to leave the AOR, release stress, spend time with their family/friends and return reenergized. R&R Leave will continue to be offered to military members and DoD Civilians deployed in CENTCOM AOR in support of the Global War on Terror at the discretion of the theater commander.

Citizenship

The Department is working closely with the Department of Homeland Security's Citizenship and Immigration Service to expedite citizenship applications for immigrants who serve honorably as members of our Armed Forces. Approximately 37,000 active duty and reserve personnel are non-US citizens and approximately 7,000 of these personnel have applied for US citizenship. The Citizenship and Immigration Service (CIS) established a special office in their Nebraska Processing Center to expedite military member citizenship applications. Section 329 of 8 USC provided an exception where the President can authorize immigrants serving in the US Armed Forces during times of conflict to apply for citizenship after three years of honorable service. Public Law 108-87 reduced this waiting period to one year. The average time for processing expedited citizenship applications has been reduced from 9 months to approximately 90 days. The Military Services are informing non-US citizen military members of the opportunity for expedited citizenship through radio and television, press releases and periodic messages through command, personnel, legal and public affairs channels. However, finalizing

citizenship requirements for military members overseas has been problematic. We are working with the Citizenship and Immigration Service to expand authority for conducting naturalization interviews and swearing-in ceremonies overseas. In the meantime, the Department of Defense authorizes emergency leave for Service members who need to complete citizenship processing, and seeks to identify members with pending citizenship applications in order to ensure they are processed and finalized before they deploy.

Training Transformation

Our ability to successfully defend our nation's interests relies heavily upon a military capable of adapting to rapidly changing situations, ill-defined threats, and a growing need to operate across a broad spectrum of evolving and emerging missions, including joint urban operations, joint information operations, stability and support operations, and asymmetric warfare. The Services have been highly successful for many years by possessing a training superiority over all real and potential adversaries. We intend to maintain that critical edge in the future by continuing to move our training methods and capabilities beyond those of the Cold War, and to integrate them into a single, focused capability.

Transformed training is a key enabler to transforming this fighting force — and the Training Transformation (T2) Initiative is vital to the Department's transformation efforts. I am pleased to report that since my last testimony to you, the Department, with your assistance, has made significant progress in transforming DoD training to improve joint operations. We have developed and implemented three supporting joint capabilities. Collectively, these capabilities, when mature, will provide a robust, networked, live, virtual and constructive training and mission rehearsal environment that enables DoD to build unparalleled military capabilities that are knowledge-superior and adaptable. First, the Joint Knowledge Development and

Distribution Capability (JKDDC) is working to prepare individuals by developing and distributing joint knowledge via a dynamic, global-knowledge network that provides immediate access to joint education and training resources. Second, the Joint National Training Capability (JNTC) is preparing forces by providing command staffs and units with an integrated live, virtual, and constructive training environment with joint global training and mission rehearsal in support of specific operational needs. This January, we completed our initial JNTC Event at the Western Range Complex. It has been deemed a very successful first step with great leadership and support from the Services and Joint Forces Command. Three additional Events will be conducted through the remainder of FY 2004. Lastly, the Joint Assessment and Enabling Capability will develop and three levels of strategic performance assessment to determine: the training value provided by JNTC and JKDDC with regard to Combatant Commander needs; how well training transformation is integrated with Defense wide policies, procedures, and information systems; and to what degree are the outcomes of training transformation aligned with the Department's strategic transformation goals.

It is not easy to plan and execute complex joint combat operations when the Services have not fully trained in accomplishing those tasks. Consequently, during the January JNTC Event, our forces honed their warfighting skills in joint close air support and other challenging joint tactical tasks that were used on the battlefields of Afghanistan and Iraq. Admiral Edmund G. Giambastiani, Commander, U.S. Joint Forces Command, said it best when he reflected on the importance of JNTC - "What the joint community has been able to do with the JNTC is begin the second wave of training transformation-where we can now link the service training ranges with forces around the country-and in time, around the world-to a common joint environment at the operational level. In a sense, this new training transformation is producing 'Born Joint Training'

that seamlessly brings together a combination of live, virtual and constructive capabilities to create a common joint training environment. An important aspect of the JNTC is that it also avoids any additive requirements to Service training....”

We are committed to meeting joint mission requirements of our Regional Combatant Commanders and must ensure that Headquarters and Component staffs deploying to a combatant command are fully trained to joint standards and in the concepts of network-centric warfare prior to their deployment. Our focus is to prepare for joint operations so that we never conduct an operation for the first time in combat.

Range Sustainment

Continued and assured access to high-quality test and training ranges plays a critically important role in sustaining force readiness levels. The Department of Defense has increasingly come to recognize that encroachment issues may limit the military’s ability to train as they expect to fight. Urban sprawl, loss of frequency spectrum, restrictions on air space, and endangered species - related restrictions on training lands may cause some restrictions on training. Such constraints force the Services to alter or compromise training regimens. Over the past several years, we have discussed these problems with Congress, and we appreciate your concern and assistance in achieving meaningful solutions. We will continue to work closely with you as we grapple with how best to sustain our training capabilities at the same time we seek to transform our armed forces.

The DoD Range Sustainment Initiative is pursuing a comprehensive solution to encroachment pressures on test and training ranges. The initiative addresses policy, organization and leadership, programming, outreach, and legislative clarification. In addition, the Department has initiated a significant compatible land use and buffer zone planning effort intended to

mitigate further range encroachment based on authorities provided to the Department in the FY 2003 Defense Authorization Act.

Sexual Assault

Sexual assault will not be tolerated in the Department of Defense – that message is clear throughout the chain of command. It is a crime that is punishable under the Uniform Code of Military Justice. Commanders at every level have a duty to take appropriate steps to prevent it, to protect victims, and hold those who commit such offenses accountable.

Each of the Services has sexual assault policies for the health care support of victims. This support is available to service members both in the United States, at overseas duty stations, and in the current deployment theater.

Last summer the Fowler Panel, an independent panel, investigated allegations of sexual misconduct at the Air Force Academy. Their report made recommendations with a single priority in mind: the safety and well-being of the women at the Air Force Academy. Air Force senior leaders are implementing those recommendations now. In addition, the Defense Task Force on Sexual Harassment and Military Service Academies will assess and make recommendations, including any recommended changes in law, relating to sexual harassment and violence at the United States Military and Naval Academies.

However, prevention through education, review and reinforcement of what constitutes sexual assault and related crimes, and their consequences is key. Development and sustainment of working environments that instill trust among all members must begin at the lowest level of leadership and continue to the top of the Department. My Deputy Assistant Secretary of Defense for Force Health Protection and Readiness, Ms. Ellen Embrey, now leads a Secretary of Defense

appointed task force to ensure proper command climate and infrastructure support is in place to safeguard the victims of sexual assault.

Domestic Violence/Victims Advocacy

As with sexual assault, domestic violence will not be tolerated in the Department of Defense. It is an offense against our institutional values and commanders at every level have a duty to take appropriate steps to prevent it, protect victims, and hold those who commit them accountable.

The Department continues to make significant progress in addressing the issue of domestic violence within military families. We remain committed to implementing the recommendations made by the Defense Task Force on Domestic Violence and have made major strides toward that goal. Our efforts encompass a range of activities including legislative and policy change, training for key players in our efforts to prevent and effectively respond to domestic violence, and collaboration with civilian organizations.

We worked closely with Congress last spring and summer 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. These changes are reflected in the FY 2004 NDAA.

The Department has partnered with the Office on Violence Against Women of the Department of Justice for several joint initiatives that include training for law enforcement personnel, victim advocates, chaplains, and fatality review team members. As a part of our collaboration with the Department of Justice, we are conducting demonstration projects in two communities near large military installations. The goal of the projects is to develop a

coordinated community response to domestic violence focusing on enhancing victim services and developing special law enforcement and prosecution units. We know that military and civilian collaboration is critical to an effective response to domestic violence since the majority of military members and their families live off the installations.

The Department partnered with the Battered Women's Justice Project and the National Domestic Violence Hotline to conduct training for the Hotline staff to provide information about the military to enhance Hotline staffs' ability to assist military related victims who contact the Hotline. We are also working with the Family Violence Prevention Fund to develop a comprehensive domestic violence public awareness campaign that will be disseminated throughout the Department of Defense.

We have initiated implementation of 45 of the nearly 200 Task Force recommendations, focusing 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 are pleased with the progress we have made but realize there is more work to be done. We are working to ensure that the policies we implement are viable across all Services both in the continental United States and overseas, and minimize the possibility of unintended consequences that compromise the safety of domestic violence victims and their children. We collaborate closely with those who will be responsible for implementing the policies we write to maximize their effectiveness across the Department.

Improving DoD Healthcare management

The DoD – VA Partnership

We have successfully shared healthcare resources with the Department of Veterans Affairs for twenty years, but many opportunities remain. In the past year, we introduced a common national billing rate for our sharing agreements, greatly simplifying administrative issues and paving the way for increased agreements at the local level.

In 2003, the President's Task Force to Improve Health Care Delivery for our Nation's Veterans outlined a broad and substantive agenda to foster even greater collaboration in the coming years. We have taken action on a number of the recommendations already. We initiated a joint strategic planning process, began the process of electronically sharing medical information, identified additional joint contracting opportunities, included the VA as network providers in all of our TRICARE contracts, and other activities to promote access to quality, affordable care for veterans and retirees. In the coming years, greater collaboration on our capital planning and facility life-cycle management efforts will benefit all of our beneficiaries and the American taxpayer.

TRICARE – The Military Health Plan

We have initiated a wholesale redesign of how we will organize, manage and motivate our health delivery system in service to our beneficiaries. In August 2003 we awarded new TRICARE contracts – one major piece of our TRICARE redesign.

Contracts. The first step in redesign of TRICARE was to simplify. We reduced the number of TRICARE regions from eleven to three. We reduced the number of contracts from seven to three; and the three TRICARE regions match the geographic span of the three TRICARE contracts. With these new contracts, beneficiaries will realize easier access to care,

better customer service and enhanced quality of care. The current and future contractors have committed to smoothly transition every aspect of their responsibilities while maintaining the highest standards of care and service. Throughout the transition, we have promised to keep beneficiaries well informed.

We have “carved out” some major elements of the old TRICARE contracts into separate and discrete contracts. These new contracts will leverage the expertise resident in companies whose core competency is pharmacy management or claims processing or marketing. With this carve out, we have established an integrated pharmacy benefits program that includes a uniform formulary based on relative clinical and cost effectiveness. The national retail pharmacy contract provides for use of federal pricing of pharmaceuticals and will allow better management while improving beneficiary satisfaction by making it easier to obtain prescriptions while traveling.

Governance. The new organizational structure of TRICARE will transform and streamline healthcare management to enhance efficiency, productivity and customer service in support of our commitment to the best healthcare possible for all entrusted to our care. The restructuring will strengthen the delivery system through partnering of our MHS personnel and our purchased care contractors. TRICARE Regional Directors will integrate military treatment facilities with civilian networks, ensure support to local commanders, and oversee performance in the region.

We enlarged the role and responsibilities of medical commanders in their local health care markets – the focus for accountability. Commanders will better manage services and support to their patients—activities previously managed by the TRICARE contractor—including patient appointing, utilization management, the use of civilian providers in military hospitals and clinics (i.e., resource sharing providers), and other local services.

The central management effort in TRICARE will be to establish and then manage toward objectives set in annual business plans; plans developed locally and then built into Service and Regional plans. The new Regional Directors have a key role in gaining participation of providers in TRICARE and in implementing the plan to improve TRICARE Standard. This health delivery option has served beneficiaries for over 35 years and we have underway efforts to improve it for those who choose use it. Gaining beneficiary support and satisfying their healthcare needs serve as the objectives for which the TRICARE contracts and organization are designed.

Force Health Protection

The Department of Defense Force Health Protection program is comprised of a broad constellation of activities designed to preserve and protect the health and fitness of our service members from entrance into the military until separation or retirement. Preventive measures, environmental surveillance, and advances in military medicine have supported our worldwide operations with remarkable results. Despite deployments to some of the most austere environments in the world, we have seen the lowest rates of non-battle illnesses and injuries in the history of warfare. This is the result of increased focus, resources, line commitment and service member education.

Health assessments. We ensure a healthy force through high medical standards at the time of accession, periodic medical and dental examinations, routine and special-purpose immunizations, and ready access to high quality healthcare. Learning from the Gulf War, prior to and following deployment, service members now receive health assessments to ensure they are fit for deployment and to identify any health issues once they return from deployment. Deployment health records are maintained in the individual's permanent health record and an

electronic copy of the post-deployment health assessment is archived for easy retrieval and research. We have begun an aggressive quality assurance program to monitor the conduct of these assessments.

Immunization programs. Protecting our forces involves countering potential health threats. Among the numerous preventive health measures in place for our service members today, we have vital immunization programs. These programs offer protection from diseases endemic to certain areas of the world and from diseases used as weapons, specifically anthrax and smallpox. These vaccines are highly effective and we have based our programs on sound scientific information that independent experts have verified. They are essential to keep our service members healthy.

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

Medical hold. One consequence of the pre and post-deployment health assessments is the identification of more service members as medically unqualified for deployment and even for military service. This has generated additional Medical Evaluation Board processing than previously experienced; it has contributed to the large numbers of service members awaiting healthcare and specialty consultations. Another contributing factor to the “medical hold” issue is

the number of Reserve Component personnel activated who are determined to be medically unqualified for deployment. The Army has taken a series of actions to alleviate the problem, and has significantly reduced the numbers of individuals in this category. We are committed to deploying healthy and fit service members and to providing consistent, careful post-deployment health evaluations with appropriate, expeditious follow-up care when needed.

Individual medical readiness. Among the many performance measures tracked within the Military Health System (MHS) is the readiness health status of individual members, both active and reserve components. Determining individual fitness for deployment and for continued service is an important determination. For the first time, the MHS will track individual dental health, immunizations, required laboratory tests, deployment-limiting conditions, Service-specific health assessments and availability of required individual medical equipment. This tracking should assist in alleviating the Reserve Component medical holdover issues in the future.

Transition to VA. After service members return from deployments, healthcare is available through military and VA providers. While our collaborative efforts with the Department of Veterans Affairs span the entire military health system, there is no greater imperative than to ensure we successfully manage the transition of service members from active to veteran status. A significant advance was made with the establishment of the Federal Health Information Exchange, allowing for the electronic transfer of essential medical information. Improved communication and education for service members as well as enhanced case management for patients have improved the transition to veteran status.

Readiness Assessment and Reporting

We are dramatically improving the way we measure the readiness of our military units and support structure—finally answering the elusive “ready for what” question. Our new Defense Readiness Reporting System (DRRS) provides a near real time assessment of military capabilities, and uses this information to improve the way we plan and manage our forces. Our partnerships with United States Pacific Command (PACOM) and the Navy have produced working, scalable versions of measurement and assessment tools over the past year. PACOM designed the Joint Military Assessment Tool to allow organizations from the Combatant Commander-level down to tactical units to assess their ability to perform assigned missions. Navy’s DRRS-Navy expanded PACOM’s effort by including nearly all operational naval units and creating the ability to view related, output-focused metrics. Over the course of the year, we will continue expanding our scope to include key Army units and introduce initial scenario assessment tools into the DRRS suite. We expect to have an initial operational capability for DRRS by September (2004), with a phased implementation throughout DoD over the next three years (2007).

Recruiting and Retention of Civilians

I want to take this occasion to again thank the committee and the Congress for enacting the National Security Personnel System (NSPS) in the FY 2004 NDAA. In developing NSPS, our pledge to you and our workforce is this: our civilian employees deserve a flexible personnel management system, and we will make sure it’s fair.

The purpose of NSPS is to strengthen the ability of commanders and employees to meet their mission requirements in an ever-changing national security environment. A commander has three personnel cadres with which to perform the mission: military, civilian, and contract. The

opportunity for the civilian employee and commander to respond rapidly to changing requirements is seriously compromised by a rigid and fragmented system of civilian personnel management. Additionally, motivation is key to employees performing well on the job and we must change the recognition system to respond to employee concerns that good work is not recognized as it should be. A rigid, slow system of personnel management does not motivate our employees to do their best. Installation commanders have to meet a number of mission objectives and these objectives are constantly changing. NSPS will allow us to develop a more rational personnel management system, provide employees new opportunities, and give commanders and managers more flexibility to accomplish the mission.

In a government-wide survey, DoD employees made it clear that the current personnel system is not working even though they like their work, believe they do it well, and have a good work-life balance. However, only 47 percent said they are satisfied with the recognition they receive for doing a good job, only 40 percent said that creativity and innovation are rewarded, only 32 percent said that the awards programs provide an incentive to do their best, only 31 percent said they are satisfied with the opportunity to get a better job in the organization, and only 26 percent said that steps are taken to deal with poor performers. We can and should do better than that; NSPS gives us that opportunity.

How are we doing in implementing NSPS? We begin with the following tenets:

- We recognize that a new system that is both fair and perceived to be fair is essential to the accomplishment of our mission.
- We recognize that serious collaboration with stakeholders and continuous communication with employees is critical to making the new system work.

- We recognize, as the law prescribes, that NSPS must preserve basic employee protections, including merit principles, veterans' preference, anti-discrimination rules, due process, prohibited personnel practices, and the right to join unions and bargain.

We are committed to implementing NSPS fairly and responsibly. We have established a cross-Component program management office to guide implementation. In January, we met with union representatives to begin the development of a new system of labor-management relations. In February, we provided the unions, upon their request, a concept paper to begin the dialogue and collaborative process. Last week, we met with the unions to discuss these concepts and afford the unions an opportunity to provide their concepts. We are close to identifying those organizations that will initially participate in NSPS. By the end of this calendar year, we plan to begin implementing NSPS within the Department following an intensive training program for supervisors, managers, human resources specialists, employees, as well as commanders and senior management.

Taking Care of Families

Military families are a top priority for the Department, especially those impacted by deployment. The Department is sensitive to the hardships and challenges faced by military families when the Service member is away from home for a long period. Service members perform tough duty in austere locations, while their families deal with the stress and anxiety associated with extended separations. Current deployments necessitate robust support. The military family is an integral component of the military community and an essential ingredient in military strategy and planning.

America wants to support its troops and families. Service members and families have been almost overwhelmed with the outpouring of support. Donations, such as frequent flier miles to help with family reunions, special televised tributes, celebrity entertainment, and corporate contributions from firms like Home Depot are but a few of the ways America has shown support for its troops. This support has been key to their continuing good morale.

Each of the Services has built a highly responsive family support system that incorporates the best resources available to help families cope with the demands of military life. Reserve families who live across America present a particular challenge. An aggressive effort to reach Reserve families is under way.

Since October 2002, a joint family readiness working group has been meeting to share strategies, identify gaps in service and review lessons learned. This group has promoted the sharing of best practices and pushed to increase mutual support across Service and component boundaries. Consequently, we have seen an increase of shared support and practices carry down to the lower unit level. The working group approach has worked well in facilitating family readiness and creating a mutually supportive network focused on the total force.

Joint collaboration has contributed to widespread increases in support to vital family readiness and support programs to help support Guard and reserve families, including the establishment of approximately 400 National Guard family Assistance centers to augment the family support system and Reserve and Guard component inclusion in the popular Military OneSource program, which provides 24/7 individual and family support. The National Guard has taken the lead for supporting families that are geographically isolated from military installations, working through 54 state and territory offices to provide family support and training. Unit Family Readiness Groups, staffed by volunteers, actively maintain communication

with families in outlying areas through newsletters, websites, and direct communication to enhance unit-to-family communication.

Family Assistance Centers

Family assistance centers have increased operations to unprecedented levels to meet family needs. These centers serve as the primary delivery system for military family support programs, including deployment support, return and reunion, and repatriation for active duty, Guard and Reserve members and their families. Family support programs assist unit commanders, Service members and families affected by deployment and mobilization and directly contribute to mission readiness.

Specifically for reserve families, there has been a tremendous improvement in reserve family access to resources since the 1991 Gulf War. Today, families have multiple sources that may support them while their Service member is deployed, and the Services continue to improve programs and expand outreach in order to make access to support systems even better. Thanks to the National Guard Bureau, over 400 family assistance centers have been brought online to meet the unique needs of our families. These joint centers provide an outreach capability not only to Guard and Reserve families that are not located near an installation, but they also support the large number of active service and family members who reside off the installation. Civilian community support services available to families range from help with household repairs to financial planning, childcare, legal services, family counseling, and free or discounted services. The Department has also partnered with USA Freedom Corps to facilitate volunteer efforts to aid and assist military families through the Freedom Corps website and volunteer network. Other partnerships have been established with public schools to develop support programs and teacher training materials to meet the unique needs of our military children.

We published a “Guide to Reserve Family Member Benefits,” which is designed to inform family members about military benefits and entitlements, including medical and dental care, commissary and exchange privileges, military pay and allowances, and reemployment rights of the service member. The benefits guide is also available on the DefenseLink web site.

We developed a family readiness “tool kit” that contains a wealth of information to assist commanders, service members, family members and family program managers with information to help reserve families, and Guard and Reserve members, prepare for mobilization and deployments.

Military One Source

“Military OneSource” provides a customized approach to individual information and referral services for military families. It is available 24 hours a day, 7 days a week, 365 days of the year, from any place, any time, tailoring services specifically to individuals and individual families. “Military OneSource” is an augmentation, not a replacement, for the family centers that are cherished, and it brings services to all members of the Armed Forces. This includes Reserve and National Guard members and families who do not live on military installations, and often can’t take advantage of what DoD has to offer. This service provides all of our Service members and families with immediate information concerning support available on the installation or in their community. We have budgeted \$20M in 2005 to sustain “Military OneSource.” The toll-free telephone, e-mail and web site, all include information and referrals on parenting and child care, education, deployment and reunion, military life, health, financial, relocation, everyday issues (i.e. pet care, plumber), work and career, to name a few. Each of the Military Services will have fully implemented the service by the end of FY 2004. Marine Corps was first to stand-up the program and is enjoying positive feedback and results.

Additionally, we are building upon this outreach by implementing a program of prepaid face-to-face counseling for a specified number of sessions. Families who contact the toll-free number but need face-to-face assistance can schedule counseling from a licensed counselor within their immediate geographic area in CONUS. This is particularly important for remote families of mobilized Guard and Reserve units who may also have a deployed Service member and may live a great distance from the programs provided on installations.

Child and Youth Development Programs

Military child development continues to be important to families and remains a top priority for the Department. During Operations Enduring Freedom and Iraqi Freedom, child care presented a major challenge for the families of deployed troops. To support families during deployment, \$8 million of emergency supplemental funding was used in 2003 to provide over 412 thousand hours of additional child care programs to meet specific mission requirements. Installations provided child care for extended hours on nights and weekends; added drop-in, respite, and mildly ill care; and extended services to the Guard and Reserve. For 2004, \$13.5 million of emergency supplemental funding is designated to continue these vital efforts and to explore new ways to expand child care availability in the civilian community.

In 2003, the Department invested approximately \$400 million to provide over 174,000 child care spaces and is making progress to expand the number of available spaces (in 2003, almost 2,000 spaces, primarily through growth in the family child care program). RAND is in the process of reviewing the child care need formula. The Department has initiated a Business Initiative Council (BIC) effort that will focus on increasing child care spaces in civilian communities through subsidies and partnerships. It is anticipated that sustaining on-base programs while maximizing resources in the civilian community will close the child care gap

more quickly than an approach based primarily on construction. The Department's budget of over \$400 million in FY 2004 and FY 2005 reflects a continued commitment to provide child care for military families.

Because deployment of a family member can adversely affect a child's behavior both academically and socially, the Department of Defense has developed several avenues to support children of military families, their parents and the teachers that educate military children. Skilled educators, counselors and mental health workers associated with the public schools attended by military children generally are often unaware of the lifestyle, issues and challenges of the military child. With a focus on the children of deployed personnel, the Department reached out to public school districts to alert them to and engage them in addressing the unique needs children from families in which at least one parent was deployed. Efforts included the development of booklets, posted on a new website, for use by educators and parents. Also posted on the Internet were best practices used by exemplary schools.

DoD has worked with renowned experts, such as Ms. Marleen Wong, a national expert on terrorism, trauma and children, regarding publications, website information and program development for students of deployed families, their parents and teachers. Ms. Wong's contributions to the DoD Educator's Guide to the Military Child During Deployment; Educator's Guide to the Military Child During Post-Deployment: Challenges of Family Reunion and Readjustment; and Parent's Guide to the Military Child During Deployment and Reunion have provided support through information for our military families and educators. Dr. Robin Goodman, a director and psychiatrist at the Child Study Center, New York University School of Medicine, has also contributed her book, Caring for Kids After Trauma and Death: A Guide for Parents and Professions for the benefit of all who serve our children. All publications are on a

special website designed to meet the needs of children of deployed parents,

www.MilitaryStudent.org.

Department of Defense Education Activity

The Department of Defense Education Activity (DoDEA) has been an active partner in supporting students and families during the war. All schools within DoDEA have Crisis Management Teams to assist students and teachers during stressful times. Working in collaboration with military and civilian communities, they provide support before, during and after each deployment.

The Department has a school system to be proud of, and we continue to address quality issues in the areas of curriculum, staffing, facilities, safety, security and technology. Our dependent schools comprise two educational systems providing quality pre-kindergarten through 12th grade programs: the DoD Domestic Dependent Elementary and Secondary Schools (DDESS) for dependents in locations within the United States and its territories, possessions, and commonwealths, and the DoD Dependents Schools (DoDDS) for dependents residing overseas. Today, approximately 8,800 teachers and other instructional personnel serve more than 101,000 students in 223 schools. They are located in 13 foreign countries, seven states, Guam, and Puerto Rico. Students include both military and civilian federal employee dependents.

The quality of DoD schools is measured in many ways, but most importantly, as in other school systems, by student performance. DoD students regularly score substantially above the national average in every subject area at every grade level on a nationally standardized test.

In addition, students participate in the National Assessment of Educational Progress (NAEP) tests. NAEP is known as “the Nation’s Report Card” because it is the only instrument

that permits a direct comparison of student performance between states and jurisdictions across the country. DoDEA students, and in particular its African-American and Hispanic students, score exceptionally well on this test, often achieving a first or second place national rank when compared with their peers.

DoDEA's 2003 graduates were awarded nearly \$33.5 million in scholarship and grant monies for further education. Graduates in 2003 reported plans to attend over 800 different colleges and universities worldwide.

To meet the challenge of the increasing competition for teachers, DoD has an aggressive U.S. recruitment program. The program emphasizes diversity and quality, and focuses on placing eligible military family members as teachers in its schools.

Morale, Welfare, and Recreation Initiatives

The Services have implemented a broad assortment of Morale, Welfare and Recreation (MWR) program initiatives aimed specifically for forces deployed to fight the war on global terrorism and their family members. These include free, MWR operated, internet cafes at 30 locations in Iraq, computers and internet service at home station libraries and youth centers to ensure families can send and receive e-mails from their loved ones who are deployed.

Additionally, there has been library book and periodical kits, recreation kits that include large screen televisions, DVD/CD players, movies, up-to-date video games and game CDs, exercise equipment, sports equipment, pool and ping pong tables, movie projectors and first run movies. Auto skills centers have also set up special programs to assist spouses of deployed personnel with emergency auto repairs.

Armed Forces Entertainment

Armed Forces Entertainment, in cooperation with the United Services Organization (USO), continues to provide much welcomed celebrity and professional entertainment to our forces engaged in the war on global terrorism. Robin Williams, Robert De Niro, Conan O'Brian, David Letterman, Drew Carey, Arnold Schwarzenegger, Gary Senise, Paul Rodriguez, George Gervin, Kid Rock, Lee Ann Womack, Miss Universe, several NASCAR and WWF stars, and several NFL cheerleading squads are some of the many celebrities and entertainers who have generously donated their time to bring a taste of home to deployed forces.

Field Exchanges

There are 52 Tactical Field Exchanges, 69 exchange supported/unit run field exchanges, and 15 ships' stores in the OIF/OEF theaters providing quality goods at a savings, and quality services necessary for day-to-day living. Goods and services offered include phone call centers, satellite phones, internet cafes, video films, laundry and tailoring, photo development, health and beauty products, barber and beauty shops, vending and amusement machines, food and beverages, and name brand fast food operations. Goods and services vary by location based on troop strength and unit mission requirements.

Telecommunications

It is a longstanding DoD practice for Service members to be able to make subsidized or free telephone calls home. The frequency and duration of calls using official phones for Health, Morale, and Welfare calls are determined by the commander so as not to interfere with the mission.

The FY 2004 NDAA requires that prepaid phone cards, or an equivalent telecommunications benefit, be provided without cost to enable Service members serving in

Operation Enduring Freedom and Operation Iraqi Freedom to make telephone calls. The telecommunications benefit may not exceed \$40 or 120 calling minutes. The Secretary of Defense may accept gifts and donations in order to defray the costs of the program. The program continues through September 30, 2004.

On the average, 50,000 Health, Morale, and Welfare calls are made each day. As we implement the Act, we are identifying the value of the subsidized Health, Morale, and Welfare calls and continuing efforts with our telecommunications partners to reduce the cost of calls from the theater. We have mounted an information campaign to insure that members choose the most economic calling method available and are looking at more convenient ways for the American public to purchase and donate the best value of calling minutes to service members.

Financial Stability

The financial stability of military families is another initiative that the Department is addressing, particularly in light of large troop deployments and mobilization. To help families achieve financial stability, the Department has embarked on an initiative that combines educating Service members and their families on using their finances wisely with expanding employment opportunities for military spouses.

The Department has emphasized financial well being through a Financial Readiness Campaign designed to enhance the education and awareness programs of the Military Services through the support of 26 Federal agencies and non-profit organizations. We have already begun to see positive changes in the self-reported assessment of financial condition of Service members. The Department sees that this campaign will evolve into new practices to support Service members and their families. The lessons learned through this campaign will be shared with the National Commission for Financial Literacy and Education, established by Title V of

the Fair and Accurate Credit Transaction Act of 2003 and assist the Commission in developing a financial literacy strategy for the nation.

We are employing a similar collaborative approach to improve employment opportunities of military spouses by partnering with federal, state and local governments to address legislative and regulatory barriers that may inhibit financial stability and portability of jobs, and developing partnerships with government, non profit and private sector organizations to increase the number of opportunities available to spouse to develop careers. Through these initiatives the Department seeks to enhance financial stability by promoting consistent reliable sources of income and the ability to use it wisely to support quality of life needs and for attaining future life goals.

Commissaries

I'd like to thank the Congress for enacting legislation to provide unlimited commissary benefits for Reserve and Guard members. The Department implemented the new authority the same day the President signed it into law. You recognize, as do we, that the commissary benefit is an important and valued component of non-pay military compensation and it is vital to the quality of life of our Service members.

We are working to provide the commissary benefit in the most efficient and cost-effective manner to be able to guarantee that each dollar from the American taxpayer is well spent to support the quality of life of our military members and their families. To do so means new stores may open where warranted, existing stores expand hours and stock assortment, while commissaries that are no longer justified by their customer bases may close or be scaled back.

We believe that lowering the taxpayer subsidy while sustaining and improving the benefit are mutually compatible. Through comparison to commercial industry best practices and

performance indicators, we believe we can deliver the benefit in the most efficient and effective manner possible.

We have asked the Defense Commissary Agency to conduct a study to determine the feasibility of adopting variable pricing while sustaining an average 30 percent savings on all products. Industry research and best practice suggest that we could more consistently deliver the desired 30 percent savings to more commissary customers by using this approach.

Casualty Assistance

The Department continues to explore new methods and procedures to support our family members better during the most tragic of times, the loss of their loved one in the active service to our Nation. One such initiative is the expedited claims process (ECP) with the Social Security Administration. During March 2003, we partnered with the Social Security Administration to study the possibility of institutionalizing the ECP that was so effective in the tragic aftermath of September 11, 2001. The ECP incorporates post-adjudicative development of evidence, as well as the use of a special toll free number for applicants and casualty assistance officers to call when they are ready to file. This process has been extremely successful in providing swift financial assistance to our families. The final results of the pilot program showed the average claims processing time dropped from several weeks to an average of just over two days time. Accordingly, the ECP was made permanent in January 2004 for surviving family members of all active duty casualties. We established a similar arrangement with the Department of Veterans Affairs several years ago. That program, has also significantly expedited the delivery of compensation and benefits to our families who have suffered the greatest loss.

Conclusion

Mr. Chairman, this concludes my statement. I thank you and the members of this Subcommittee for your outstanding and continuing support for the men and women of the Department of Defense. Our objective is to ensure that our Armed Forces remain the best trained, best-equipped fighting force in the world – and that we treat the volunteers who make up the force with respect commensurate with their service, their sacrifice, and their dedication.