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S. HRG. 108–241, PT. 6

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2004

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

ON

S. 1050

TO AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 2004 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 11, 19, 27, 2003

Printed for the use of the Committee on Armed Services

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CONTENTS

CHRONOLOGICAL LIST OF WITNESSES

ACTIVE AND RESERVE MILITARY AND CIVILIAN PERSONNEL PROGRAMS

MARCH 11, 2003

Page

Chu, Dr. David S.C., Under Secretary of Defense for Personnel and Readiness; Accompanied by Dr. William Winkenwerder, Jr., Assistant Secretary of Defense for Health Affairs; and Hon. Thomas F. Hall, Assistant Secretary of Defense for Reserve Affairs 3
Le Moyne, Lt. Gen. John M., USA, Deputy Chief of Staff for Personnel, United States Army 40
Hoewing, Vice Adm. Gerald L., USN, Chief of Naval Personnel, United States Navy 52
Parks, Lt. Gen. Garry L., USMC, Deputy Chief of Staff for Manpower and Reserve Affairs, United States Marine Corps 65
Brown, Lt. Gen. Richard E., USAF, Deputy Chief of Staff for Personnel, United States Air Force 75
Barnes, Joseph L., National Executive Secretary, Fleet Reserve Association 123
Raezer, Joyce W., Associate Director of Government Relations, National Military Family Association, Inc. 130
Anderson, Steve, Legislative Counsel, Reserve Officers Association 142
Lokovic, James E., Deputy Executive Director and Director, Military and Government Relations, Air Force Sergeants Association 143
Schwartz, Susan, PhD, Deputy Director of Government Relations/Health Affairs, Military Officers Association of America 153

NATIONAL GUARD AND RESERVE MILITARY AND CIVILIAN PERSONNEL PROGRAMS

MARCH 19, 2003

Hall, Hon. Thomas F., Assistant Secretary of Defense for Reserve Affairs; Accompanied by Bob Hollingsworth, Executive Director, National Committee for Employer Support of the Guard and Reserve 171
Schultz, Lt. Gen. Roger C., ARNG, Director, Army National Guard 196
Rees, Major Gen. Raymond F., ARNG, Acting Chief, National Guard Bureau 196
James, Lt. Gen. Daniel, III, ANG, Director, Air National Guard 198
Helmly, Lt. Gen. James R., USAR, Chief, Army Reserve; Accompanied by Command Sergeant Michelle Jones, Army Reserve 215
Totushek, Vice Adm. John B., USNR, Chief, Naval Reserve 223
McCarthy, Lt. Gen. Dennis M., USMCR, Commander, Marine Forces Reserve 229
Batbie, Major Gen. John J., USAFR, Vice Commander, Air Force Reserve Command 232

COMPENSATION FOR DISABLED MILITARY RETIREES

MARCH 27, 2003

Reid, Hon. Harry, U.S. Senator from Nevada 260
Abell, Hon. Charles S., Principal Deputy Under Secretary of Defense for Personnel and Readiness 263

Page

Cooper, Hon. Daniel L., Under Secretary for Benefits, Department of Veterans' Affairs 271
Jennings, Sarah, Principal Analyst, Defense Cost Estimate Unit, Congressional Budget Office 281
Merck, Carolyn L., Former Specialist in Social Legislation, Congressional Research Service (CRS), The Library of Congress (and Coauthor of the CRS Report, Military Retirement and Veterans' Compensation) 293
Bascetta, Cynthia, Director, Veterans Health and Benefits, General Accounting Office 297
Strobridge, Col. Steve, USAF (Ret.), Director of Government Relations, Military Officers Association of America 312
Butler, Master Gunnery Sergeant Benjamin H., USMC (Ret.), Deputy Legislative Director, National Association for the Uniformed Services 318
Duggan, Col. Dennis M., Deputy Director for National Security-Foreign Relations, American Legion National Headquarters 321

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2004

TUESDAY, MARCH 11, 2003

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

ACTIVE AND RESERVE MILITARY AND CIVILIAN PERSONNEL PROGRAMS

The subcommittee met, pursuant to notice, at 2:37 p.m. in room SR–232A, Russell Senate Office Building, Senator Saxby Chambliss (chairman of the subcommittee) presiding.

Committee members present: Senators Warner, Collins, Chambliss, Dole, E. Benjamin Nelson, and Pryor.

Committee staff members present: Judith A. Ansley, staff director; and Cindy Pearson, assistant chief clerk and security manager.

Majority staff members present: William C. Greenwalt, professional staff member; Gregory T. Kiley, professional staff member; Patricia L. Lewis, professional staff member; Scott W. Stucky, general counsel; and Richard F. Walsh, counsel.

Minority staff members present: Gerald J. Leeling, minority counsel; and Peter K. Levine, minority counsel.

Staff assistants present: Michael N. Berger, Leah C. Brewer, and Andrew W. Florell.

Committee members' assistants present: James P. Dohoney, Jr., assistant to Senator Collins; James W. Irwin, assistant to Senator Chambliss; Henry J. Steenstra, assistant to Senator Dole; Russell J. Thomasson, assistant to Senator Cornyn; Eric Pierce, assistant to Senator Ben Nelson; and Terri Glaze and Walter Pryor, assistants to Senator Pryor.

OPENING STATEMENT OF SENATOR SAXBY CHAMBLISS, CHAIRMAN

Senator CHAMBLISS. Good afternoon. The subcommittee will come to order. The subcommittee meets today to receive testimony on active and Reserve military and civilian personnel programs under review, the Fiscal Year Defense Authorization Request for 2004. This is the first meeting of the subcommittee this year, and we have a very ambitious agenda before us today.

Before we get started, I want to take the opportunity to let Senator Ben Nelson know how pleased I am to have him as ranking

member of this subcommittee. Senator Nelson is a man who I have come to have a great respect for and have a great friendship with. I am truly pleased that you are here. I look forward to working in a very bipartisan way to make sure that our military personnel, active, Guard, and Reserve and their families, are well-taken care of as we move into this authorization process.

As Senator Nelson knows, this subcommittee has a strong tradition of operating in a bipartisan spirit on behalf of soldiers, sailors, airmen, and marines. I look forward to working with him on matters of such critical importance to the mission of our armed services and to the welfare of its great personnel, military, civilian, and their families.

In recent years, Congress, working closely with the Department of Defense, and in partnership with private groups like those represented here today, has accomplished a great deal to better compensate our personnel for their service and sacrifices, and to enhance the attractiveness of military service. These efforts have been successful. Recruiting and retention are strong. The caliber of our people has never been higher, and the Armed Forces are ready for the challenges that they will face, but we are mindful of the high tempo of operations and extended deployments that have been sustained for so long. We appreciate the sacrifice of the heavy reliance on the Guard and Reserve and the personal sacrifices being made all over our Nation by our active duty, National Guard, and Reserve personnel and their families.

At this critical moment in our Nation's history, when our Nation depends so heavily on the performance of the men and women of the Armed Forces, it is vital that we continue to provide the support and quality-of-life programs that demonstrate our commitment to the well-being of our troops and their families. This hearing is designed to be a broad overview of the proposed budget for fiscal year 2004, and the legislative recommendations of the Secretary of Defense, the military services, and the advocates for those who rely on the personnel programs of the Department of Defense.

While in the past recruiting and retention have been issues before this subcommittee, I believe our focus this year will be a little bit different. Reserve call-ups increase by the week. Programs for family members have taken on increased importance. Protection against chemical and biological hazards is foremost in our thoughts. The readiness of our Armed Forces and how we provide for them and their families is at the forefront of our minds.

We have three panels before us this afternoon. First, we will hear from Dr. David Chu, Under Secretary of Defense for Personnel and Readiness. Joining Dr. Chu will be Dr. William Winkenwerder, Assistant Secretary of Defense for Health Affairs; and Thomas Hall, Assistant Secretary of Defense for Reserve Affairs.

Our second panel will consist of the personnel chiefs of the military services. They will be followed by a third panel of representatives of The Military Coalition who will present the concerns and interests of military personnel, active, Reserve and retired, and their family members.

Before we hear from the witnesses, I would like to call on my friend and colleague, Senator Ben Nelson, for any comments he might have.

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Thank you very much, Mr. Chairman. I, too, look forward to working with you and the members of this subcommittee as we spend time dealing with some very important personnel issues with our military and civilian personnel attached to and supporting the military. I know that we will work together. This has been a very bipartisan subcommittee in the past, and will be no less bipartisan this year, and I respect you. I will certainly enjoy working with you as we take on this mutual challenge.

Working together I think it will be privilege to address issues that impact directly on the quality of life of our soldiers, sailors, airmen, and marines, active and Reserve, currently serving and those retired. These young men and women are prepared to lay down their lives in service to our Nation, and we therefore must make sure that we take care of them and their families.

Our job is to make sure that service members are adequately compensated for their duties, and that we offer them a meaningful career progression. We must ensure that their families are well taken care of, that they receive quality medical care, their children receive a quality education, and their spouses and children have a quality of life that is at least comparable to what they would experience in the civilian world, and we have similar responsibilities for the careers of the Department of Defense civilian workforce.

I want to thank our witnesses today for appearing before us. I am very anxious to hear what you have to say about the status of the personnel system of our Services, and how we can help to make those systems even better. Senator Chambliss and I may be new to this subcommittee, but I think that you will find that we are every bit as dedicated to our military personnel as our predecessors have been, and I look forward to your testimony.

I thank you, Mr. Chairman, and at this point the ball is in your court.

Senator CHAMBLISS. Thank you, Senator.

Dr. Chu, I understand you will be making a joint statement for the panel, and we will take your full statement into the record, and we will turn it over to you now for any comments you want to make to move us forward.

STATEMENT OF DR. DAVID S.C. CHU, UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS; ACCOMPANIED BY DR. WILLIAM WINKENWERDER, JR., ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS; AND HON. THOMAS F. HALL, ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS

Dr. CHU. Thank you, Mr. Chairman, Senator Nelson, Senator Dole. It is a great privilege for myself and my colleagues, Tom Hall and Bill Winkenwerder, to appear before you this afternoon. This committee and its members in their various roles over the years have given the Department of Defense tremendous support and have helped make successful what I would argue is one of the great

military transformations of the second half of the 20th century in the United States, and that was the advent of the All-Volunteer Force.

It has been 30 years now since that began. It had a rough first 10 or 15 years, as we all know. It has now become so successful that I think it is the envy of the world, and many other nations are emulating the American approach to the manning of their military forces.

I am very pleased that this subcommittee and Congress as a whole have supported efforts of the Department to build on that record, have supported recommendations that we target military pay increasingly to areas of greatest need. We are very much appreciative of what you have done in that regard, because I think it has helped solve some of the recruiting and retention problems we suffered through in the late 1990s.

Indeed, as you note from the President's budget request, the civil sector is seeking to emulate this precedent with the President's desire to create a central $500 million fund in which civil employees would be rewarded on the basis of performance, starting in fiscal 2004.

It is our ambition to continue with the transformational agenda that history has bestowed upon us. I have, of course, a number of specific programmatic requests to advance in this testimony, but I would like to speak, if I might, to the broader picture for just a few moments.

On the miliary side, and specifically for serving officers in active status, we are desirous of encouraging longer careers than are now typically the norm. A good deal of this can be accomplished through administrative steps. It would be very helpful to have some changes in statute, specifically lifting or raising the maximum age for service, increasing the maximum tenure, and reducing time and grade restrictions for general and flag officers.

Likewise, we would like to be sure that our management of joint specialty officers is more nimble, more responsive to actual needs. In that regard, we would like the authority to allow qualification based upon receipt of both education and experience in whatever order that might occur, not just in the sequence specified by statute. We also would like the tour length to be determined by the normal policies of the Department, not mandated, as it currently is in the present law.

On the Reserve front, I will ask my colleague, Tom Hall, to speak to this in more detail. I believe the current mobilization demonstrates, as you suggested in your opening remarks, Mr. Chairman and Senator Nelson, that we indeed have one force today, and the Reserves are just as much part of this volunteer force as the active element.

I do think there are a number of things that we could do to encourage what we would like to call a continuum of service for our Reserve personnel that would facilitate their movement back and forth between active and Reserve status, that would make the provision of benefits more alike between active and Reserve members. I am also pleased to report that today we will be announcing that we will make reservists called up for more than 30 days eligible for TRICARE Prime. Just as you have in the recent past mandated

they are made eligible for TRICARE Prime Remote, we are going to take that further step, effective immediately. We will also be refining the definition of "resides with," which is an important element in terms of how this force can benefit from eligibility.

But there are some things that require statutory organization to assist establishing this kind of continuum.

That continuum might also include the ability of members of the active military who would like to take 2 or 3 years off, so to speak, but maintain their tie to the Nation's uniformed forces to do so, and then return to an active career.

On the civilian side, we have a terrific set of civilians, as I think Senator Nelson intimated in his comments, in the Department of Defense, but we believe for the future, as a matter of national security, we need to have improved flexibility and strengthened powers to deal with the issues in front of us, to transform our civil personnel system as far as the Department of Defense is concerned.

The Secretary of Defense has spoken in terms of a national security personnel system, and I think that goes immediately to the reason for these requests. We also hope will be coming to you in the form of legislative language within the next 2 weeks or so, and that is, we will need greater agility than the present system provides us. We need greater agility so we can convert posts that are now taken by uniformed personnel that could be performed easily by civilians to Civil Service status, if that is appropriate, greater agility because, as we all appreciate, within the next 10 years we must replace a significant fraction of the present generation of serving Civil Service members.

At present, it takes the Department of Defense an average of 90 days to hire someone from the time the supervisor decides that he or she has a need to fill. That is inadequate in today's market for talent. If you go to a college job fair, often you are competing with a firm that has a form for the individual to sign right there accepting the post that you have offered. We cannot do that today. Instead we tell the young man or woman, you can take our test, you can fill out our forms, and in 3 months or so we will let you know. You can imagine how successful we are competing in that environment.

We need greater agility to adjust job responsibilities as circumstances change. That is one reason why in the Secretary's judgment so many posts have migrated to the uniformed force, because that is a force where you can adjust job responsibilities promptly. We do not want to be in the position when people's response to an entreaty from their supervisor is, "that is not in my job description."

What do we want? We would like greater hiring flexibility. You might call it categorical ranking plus. We would like authority to hire on the spot in the case of college job fairs. We would like more flexible powers to hire senior Americans and those who are already annuitants from the Federal Service.

We would like to build on the kind of demonstration project that Congress authorized for us at China Lake, where pay banding has been used better to reward the workforce and also to position the salary structure so it is competitive with the civil sector. It allows a supervisor to adjust job responsibilities promptly as cir-

cumstances change without the need to recompete the position and put at risk the ability to achieve the mission.

I do think that we want to begin a dialogue about the right to bargain on certain human resource issues at the national level. Two years after we started an effort to put in place collections from civil servants for misuse of travel cards, we are still negotiating with a number of unions over that specific remedy and cannot put it fully into place.

I think there is ample evidence for the propositions we will be advancing in terms of Civil Service improvement. Congress has given this Department over the last 20 years a great deal of opportunity to demonstrate principles like this. We have touched over 30,000 civil servants very successfully. I think that record can speak for itself.

We spent the last year, since March 2002, reviewing what we would call the best practices as far as those civil personnel demonstrations are concerned, and we will be using the full extended authority that you have already given us to apply those best practices, which importantly affects the acquisition workforce of the Department of Defense.

Again, Mr. Chairman, my colleagues and I feel privileged to be here to explain the programs for which we seek your support. We want to express our appreciation for the support you have given us. It has made the civil and military force of the Department of Defense of the United States the finest in the world.

Thank you.

[The prepared statement of Dr. Chu follows:]

PREPARED STATEMENT BY DR. DAVID S.C. CHU

INTRODUCTION

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity to be here today and thank you for your continuing support of the men and women who serve in our Armed Forces.

A recent Volker Commission report noted that "Executive Departments should be . . . given the authority to develop management and personnel systems appropriate to their missions." Today, I will discuss a wide array of initiatives that do just that.

I will begin with the "Defense Transformation for the 21st Century Act of 2003" (DT–21), a proposal that is under review in the administration. This four-part legislative proposal will change the way we manage people, acquisition processes, installations, and resources.

In DT–21, personnel changes are based on one concept: agility. Agility is our response to the extreme uncertainty of the national security environment. In obtaining that agility, we propose to change the processes by which we manage military and civilian personnel, even as we keep the value systems embodied in existing legislation including the Civil Service Reform Act. The values continue to be relevant, but the processes, many of them legislated, have not kept pace with national security realities.

Transforming Civilian Personnel

For civilians, the Department is considering a National Security Personnel System (NSPS) as a key part of our transformational agenda. We are working to promote a culture in the Defense Department that rewards unconventional thinking—a climate where people have freedom and flexibility to take risks and try new things. Most would agree that to win the global war on terror, our Armed Forces need to be flexible, light and agile—so they can respond quickly to sudden changes. Well, the same is true of the men and women who support them in the Department of Defense. They also need to be flexible, light and agile—so they can move money, shift people, and design and buy weapons quickly, and respond to sudden changes in our security environment. Today, we do not have that kind of agility.

Congress has recognized these shortcomings by consistently advancing the cause of flexibility and competitiveness in DOD civilian human resources management. Congressional action paved the way 20 years ago for the groundbreaking work in pay banding at the Navy's China Lake facility, enacted the first Federal program of separation buyouts that avoids the human and economic toll of reduction in force, authorized critical personnel demonstration projects in the defense acquisition workforce and in defense laboratories and centers, provided flexibility in paying for degrees, and created scholarships to attract, advance, and keep those with information assurance skills. These innovations and experiments over many years have demonstrated that a more flexible and collaborative system of human resources management, providing greater opportunity for employees and more responsibility for managers, can lead to higher productivity and improved morale that are critical to mission support. In a related action, Congress recognized the need for much greater flexibility in the management of national security personnel in the enactment of the new Department of Homeland Security.

The Department now needs to fold these innovative pieces into a more joint, flexible, and expanded plan of civilian human resources management. The Department cannot continue to operate effectively or efficiently with the current fragmentation of civilian personnel management authorities. The National Security Personnel System will give the Department the flexibility to manage its civilian personnel—so we can attract and retain and improve the performance of our 700,000-plus civilian work force.

Transforming Military Personnel Management

Modernizing and streamlining officer management for both the active and Reserve components is key to defense transformation. As with Department of Defense civilians, we need flexibility for our military personnel, and we need to be able to assure a prompt response to changing circumstances. We seek to accomplish this by modernizing and streamlining officer management, and creating a "continuum of service" in our Reserve component.

General and Flag Officer Management

The Secretary of Defense has underscored the need for greater flexibility in managing job tenure and career length for general and flag officers with a view toward longer time in a job and longer careers. Present laws frequently operate against those objectives.

The current system rapidly rotates general and flag officers through their positions. Moving senior officials through career paths, as private sector organizations do, provides experiences that develop leadership and management skills. But officials must serve in these positions long enough to acquire these skills, to demonstrate their capabilities, and to manage the organization effectively. CEOs average more than 8 years in a job and many serve more than a decade. In contrast, the average tour length for the military senior leadership is between 22 and 31 months.

We are proposing several provisions that would allow longer tours and longer careers by eliminating mandatory retirement for time in service, time in grade, and age; mandatory time-in-grade requirements for retirement in grade; and mandatory tour lengths. We propose to eliminate the authorized general and flag officers serving in the grade of O–7 distribution cap to allow flexibility in filling O–7 and O–8 jobs. Other proposals would sanction the President's authority to immediately reassign senior general and flag officers, who were initially confirmed in grade, to another position authorized to carry the same grade.

Joint Officer Management

We are requesting several provisions to streamline joint officer management. The Secretary of Defense requires the authority to define the standards for joint tour lengths and have the discretion to recognize situations in which officers should receive full joint credit. We also require greater flexibility in assigning officers following graduation from joint education institutions. Another requested provision concerns lengths of joint officer duty assignments.

We are refining our strategic plan for joint officer management, education and training. As part of this effort, the Department is using an on-going, congressionally mandated, Independent Study of Joint Management and Education to help evaluate and validate our ideas for transformation. The study will determine which processes have "added value," and which ones do not. Ultimately we look forward to working with Congress to strengthen joint management and training.

We are proposing now two modest changes: creating a single standard for achieving joint credit (i.e., 24 months); and eliminating the sequencing requirement for Professional Military Education (PME) and joint tours.

The Department is assessing the entire career continuum of officer education 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.

Measuring the Force

We believe there is a better way to manage and measure personnel strength. We propose to change the metric used to measure authorized force levels to average strength measured across the entire fiscal year, rather than reporting strength attainment on the last day of the fiscal year. Using average strength will improve visibility on the actual force manning and improve personnel readiness. A one-day reporting metric can conceal force shortfalls in the 364 days a year not captured in the end-year snapshot, and actually leads to inefficient management practices.

Recruiter Access to High Schools

Through coordination with the Department of Education, Congress included language requiring military recruiter access to high schools in the 2002 No Child Left Behind Education Act. Having the benefit of this coordinated Defense and Education emphasis on the importance of this issue has engendered profound improvement in the access our recruiters have received.

Currently, however, there is a disconnect between titles 10 and 20 that cause confusion among both recruiters and secondary schools as to what is actually required by law. Title 10 permits schools to deny access to high school student directory information if a school board policy restricts release; title 20 does not provide that exception for school districts. We would like to correct this conflict by making title 10 read as title 20 does, thereby allowing military recruiters access to all secondary school information unless the school maintains a bona fide, verifiable religious objection to service in the Armed Forces.

Continuum of Service

As we meet the challenges of today and the future, it is essential that the Reserve components be part of this transformation. Over the past year, my office has worked with other agencies inside and outside the Department to address contributions of the Guard and Reserve—in both new and traditional roles and missions. The "Review of Reserve Component Contributions to the National Defense," establishes strategic principles to guide future structure and use of the Reserve components and proposes innovative management initiatives to meet the requirements.

A key element in transforming our military forces is to ensure efficiency and effectiveness in the use of our part-time Reserve Forces. There is a need for streamlined personnel management practices that offer greater flexibility in accessing and managing personnel throughout a military career that may span both active and Reserve service—in other words, a career that spans a "continuum of service."

Levels of military service and mission support can vary substantially throughout a military career and between the extremes of non-participating individual reservists and the 365 days per year performed by members serving on full-time active duty. We know some Reserve members are willing to serve more than the 39 days of training (drill periods and annual training) required in law, but less than full-time. This variable pool of reservists could be more effectively managed to better support certain selected mission areas and functional requirements.

Operating within a continuum of service paradigm necessitates simplifying the rules for employing Reserve component members, enhancing combined active component/Reserve component career development, and creating conditions for the seamless flow of personnel from active to Reserve and Reserve to active over the course of a military career. Barriers to such service must be minimized, thereby eliminating the need for the workaround solutions often in effect today. A more flexible Reserve compensation and benefit system can serve to encourage volunteerism.

Managing within a continuum of service can help to attain and retain skills that are hard to acquire and maintain in the military, including those in cutting edge technologies. It will provide opportunities to establish new and innovative affiliation programs and DOD partnerships with industry. Adopting a new availability and service paradigm as the basis for managing Active and Reserve Forces would allow individuals to change levels of participation with greater ease and better leverage the DOD investment in training and education to meet operational requirements.

Today the Department is limited to using active component forces to provide assistance to civil authorities during emergency situations. In an age of competing resource requirements, the Department would like to enable all Reserve component members to assist local first responders in a domestic natural or manmade disaster, accident, or catastrophe. The Department is reviewing the possibility of creating

Service auxiliaries, based on the Coast Guard auxiliary model, to address potential personnel tempo problems.

Range Sustainment

A critical element to sustaining requisite force readiness levels is unimpeded access to test and training ranges. However, a number of encroachment issues expose our military personnel to increased combat risks as their ability to train as they expect to fight is compromised. These influences may be urban sprawl, loss of frequency spectrum, restrictions on air space, and endangered species-related restrictions on training lands. Loss or restricted use of combat training ranges and operating areas force units in all Services to use either less effective workarounds or in extreme cases to forego needed training altogether. Loss of radio frequency spectrum reduces the Department's ability to test new weapons, increasing program risk and potentially raising the cost of acquisition. Urban encroachment pressures around training areas inhibit development of new tactics to meet emerging threats, restrict altitudes for flight training, limit application of new weapons technologies, complicate night and all-weather training, and reduce live fire proficiency. Ranges in the southwest United States (for example, San Diego, Camp Pendleton, and San Clemente Island) are prime examples of how endangered species critical habitat designations, frequency spectrum restrictions, clean air compliance, maritime encroachment, and other externalities can cumulatively constrain the use of combat training ranges and operating areas. Such constraints force the Services to alter or compromise training regimens. This increasingly inhibits the ability to "train as we fight," eventually degrading combat readiness.

Solutions to this broad issue are being pursued through a variety of Department of Defense internal initiatives, interagency means, and administration legislative proposals. Ongoing DOD policy, organization, and programming changes support range sustainment efforts, with increased emphasis placed on outreach and stakeholder involvement to resolve encroachment issues. DOD is working with other Federal agencies on regulatory or administrative solutions to issues that can be addressed without changing existing Federal law.

In 2002, the administration submitted the DOD Readiness and Range Preservation Initiative (RRPI) to Congress, which included eight legislative proposals that addressed a number of encroachment concerns. We are grateful to Congress for the three provisions enacted last year, including addressing the serious readiness concerns raised by the Migratory Bird Treaty Act. The Department of Defense intends to work with the Department of the Interior on a lasting solution to this act's unintentional takes issue within the framework of Congress' temporary exemption provision. However, the other five elements of our Readiness and Range Preservation Initiative remain essential to range sustainment and will continue to be addressed. This year's RRPI continues to seek clarifications to aspects of the Marine Mammal Protection Act (MMPA), the Endangered Species Act (ESA), the Clean Air Act (CAA), and two solid waste management and disposal laws known as the Resource Conservation and Recovery Act (RCRA) and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). For example, the proposal to clarify the Endangered Species Act would enable our installation commanders to work more effectively with the U.S. Fish and Wildlife Service to continue to protect imperiled species without compromising military testing and training. My office will remain committed to working with stakeholders in this multi-year plan of action to develop viable solutions that appropriately balance our environmental stewardship and military readiness responsibilities.

We believe that this year is the appropriate time to implement the transformation initiatives I have just discussed. Our world has changed. As a consequence, people and personnel systems must be agile and responsive.

FORCE MANAGEMENT RISK BALANCED SCORECARD

There is much change being worked in personnel and readiness. As diverse as these efforts are, we have aligned outcomes associated with many of our efforts under the new Force Management Risk Balanced Scorecard. The Balanced Scorecard strategically aligns our personnel management objectives, the variety of current and planned research efforts, human capital plans, and policy revisions within personnel and readiness under five major goals. These goals include: maintain a quality workforce; ensure a sustainable military tempo; maintain workforce satisfaction; maintain reasonable costs; and shape the force of the future. Our goals focus on accomplishing the initiatives set forth in the President's Management Agenda, with particular emphasis, of course, on the Strategic Management of Human Capital initiative. The Balanced Scorecard will allow us to track progress toward short- and long-term objectives like meeting high quality recruit goals, commitment of

members and spouses to the military lifestyle; costs per enrollee for health care; transforming training; shortening the civilian hire fill time; and implementing the new active component/Reserve component management paradigm. In turn, the Force Management Risk Balanced Scorecard serves as one quadrant of four risk areas within a Secretary of Defense instrument panel of metrics that will be used to balance force management risks, operational and institutional risks, as well as future challenges across the Department. This is an ambitious charter, but we are committed to this strategic course.

MILITARY PERSONNEL

Last year the Department presented a comprehensive Human Resource Strategic Plan. With direction from the Quadrennial Defense Review and Defense Planning Guidance, we collaborated with the secretaries of the military departments and the component heads to develop a strategic human resource plan that encompasses military, civilian, and contractor personnel. The plan identified the tools necessary to shape and size the force, to provide adequate numbers of high-quality, skilled and professionally developed people, and to facilitate a seamless flow of personnel between the Active and Reserve Forces.

The Department continues to refine the Human Resources Strategy designed to provide the military force necessary to support our national defense strategy. We face an increasingly challenging task to recruit, train, and retain people with the broad skills and good judgment needed to address the dynamic challenges of the 21st century, and we must do this in a competitive human capital environment. Consequently, we seek a mix of policies, programs, and legislation to ensure that the right number of military personnel have the requisite skills and abilities to execute assigned missions effectively and efficiently.

End Strength

At the end of fiscal year 2003, the Department of Defense as a whole exceeded its end strength target for the Active and Reserve Forces by approximately 31,400 service members, or 2.3 percent. This was due to the number of personnel still in stop loss status at the end of the fiscal year.

The requested active duty military end strength for fiscal year 2004, as reported in the Service budget submissions, show a net decrease of 1,600 spaces from the fiscal year 2003 authorization. The Army continues at an end strength of 480,000; the Navy projects a decrease of 1,900 from 375,700 to 373,800; the Marine Corps remains steady at 175,000; and the Air Force increases slightly from 359,000 to 359,300.

The fiscal year 2004 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 percent above the fiscal year 2003 appropriated level.

Significantly, this is only 8.2 percent of the overall DOD budget, which represents a great return on 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 863,300 Selected Reserve personnel. The Selected Reserve consists of the following: Army National Guard 350,000; Army Reserve 205,000; Naval Reserve 85,900; Marine Corps Reserve 39,600; Air National Guard 107,000; and Air Force Reserve 75,800, Coast Guard Reserve 10,000 (funded by DOT). Our total Ready Reserve, which also includes the Coast Guard Reserve, Individual Ready Reserve and Inactive National Guard is 1,190,009 personnel.

Maintaining the integrated capabilities of one force is key to successfully achieving the Defense policy goals of assuring allies, dissuading military competition, deterring threats against U.S. interests, and decisively defeating adversaries. Only a well-balanced, seamlessly integrated military force is capable of dominating opponents across the full range of military operations. DOD will continue to optimize the effectiveness of its Reserve Forces by adapting existing capabilities to new circumstances and threats, and developing new capabilities needed to meet new challenges to our national security.

The Reserve components exceeded their 2002 recruiting and strength goals in spite of market challenges. The success the Reserve components experienced in achieving end strength was a combination of recruiting successes and excellent retention in most components (only the Army National Guard exceeded its programmed losses). Although limited stop loss will assist in managing departures, the

Reserve components will continue to optimize use of retention incentives while sustaining their recruiting efforts.

Stop Loss

Stop loss is the involuntary extension on active duty of service members beyond their date of separation in times of war or national emergency when the need arises to maintain the trained manpower resident in the military departments. During fiscal year 2002, 5,800 personnel were effected by the stop loss. For officers, the Army continued a limited program impacting only pilots and special operations officers. Affected Navy officers include the special operations community, limited duty security officers, physicians in certain specialties and the nurse corps. In addition to C–130 aviators and infantry officers, the Marine Corps expanded their program to include the newly formed Antiterrorism Brigade. The Air Force released all members from stop loss over the course of the year.

For the enlisted forces, the Army implemented a limited skill-based program in increments. The initial increment included soldiers primarily assigned in Special Forces specialties; the second increment expanded the program to include Ready Reserve personnel in the same specialties already stopped in the Active Force and added three additional specialties (enlisted and officer psychological operations, and enlisted supply and services) to the program. The Army released certain skills throughout the year and adjusted its policy from an indefinite hold to a 12 month maximum time period. The Army is currently working on the details of lifting more skills from stop loss.

The Navy enlisted program affected sailors in five different specialties deemed critical to current operations, including SEALs, special warfare combatant craft crewman, explosive ordnance disposal specialists, and certain linguists. The Navy ended their program in August and all affected sailors were released by the end of 2002.

The Marine Corps implemented an incremental program that coincided with current operations that the Marine Corps was tasked to support. The first increment addressed marines assigned to Marine Forces Atlantic, as they were needed to staff the anti-terrorism brigade. The second increment included marines assigned to C–130 aircrew positions across the Corps. The third increment was used to meet force protection requirements.

The initial Air Force program applied to all enlisted skills. As with its officer program, the Air Force released all enlisted specialties from the program.

Fiscal year 2003 stop loss programs brought about new programs in light of the continuing war on terrorism, as well as the build up for a possible war with Iraq.

Service	Stop Loss Plan
Marine Corps	• Applies to entire Corps and addresses growing number of units already engaged in operations. • Provides stabilization of units while potential operational demands of an Iraqi scenario are evaluated.
Army	• Focuses exclusively on members of units alerted for deployment. This approach places a premium on unit cohesion and trained teams. • Incrementally executed only for Army forces in Southwest Asia.
Air Force	• Ensures units remain adequately manned for all current and future operational requirements. • Applied to most stressed officer and enlisted specialties. Specialties will be evaluated every 60 days to align force mix to identified operational demands.
Navy	• No plan to use at this time.

While the Services have used stop loss authority to some degree during the past year, the Department expects this ebb and flow of specialties and the use of the program to insure unit cohesion and enhanced readiness to be included in the Service stop loss programs to continue until appropriate force manning adjustments are achieved.

Conscription

There has been some debate recently about this Nation returning to conscription. Throughout most of American history, our military has been composed of volunteers. However, conscription was the primary means of obtaining sufficient numbers of military personnel during World Wars I and II and the Korean Conflict, to the point

that its renewal became perfunctory. In the late 1960s, a presidential commission studied how best to procure military manpower—retain the draft or institute a volunteer military. After much debate within the administration, Congress, and across the country, it was decided that an All-Volunteer Force was feasible, affordable, and would enhance the Nation's security. The debate concluded that, under a draft in which not all served, it was inequitable for only some to bear the burden and responsibility of military service. Thus, the authority for conscription was allowed to lapse on July 1, 1973.

The All-Volunteer Force has served the Nation for more than a quarter century, providing a highly effective military that continues to exceed the expectations of its framers. It has also proven more cost-effective than a conscripted force according to many studies, including an external review by the congressional auditing arm, the U.S. General Accounting Office. The Department respectfully seeks your support to ensure that our fighting force comprises individuals who have voluntarily made the decision to defend this Nation.

Recruiting

We are optimistic that all active Services will achieve their recruiting goals this fiscal year. Through November 2002, all Services were ahead of their year to date recruiting goals as they entered fiscal year 2003 with a sizable delayed entry program. The Department, however, will continue to face stiff competition for high-quality youth from both private sector industry and colleges.

Expanding the Target Market

The Department continues to identify ways to expand our target market. Of particular interest this year is the new short-term enlistment option offered in the National Defense Authorization Act for Fiscal Year 2003. This program, the National Call to Service, is designed to promote national service. This is in keeping with the increased awareness of the value of service to the Nation, as highlighted by the President's USA Freedom Corps initiative. It allows the Services to enlist high-quality young men and women for 15 months of active duty following initial entry training, with a 2-year Selected Reserve obligation after that active duty. Uniquely, this program allows participants to serve a portion of their 8-year service obligation in another national service program, such as Americorps or the Peace Corps. We hope that this program will expand the recruiting market to young Americans interested in alternatives to more traditional terms of enlistment.

Today, nearly two-thirds of high school seniors enroll in college immediately after graduation. Enlistment often is viewed as an impediment to further education. To address this trend, the Army launched its "College First" test program in February 2000. This program is designed to identify better ways to penetrate the college-oriented market. In fiscal year 2002, the Army had over 600 program participants. We appreciate congressional support of "College First" in permitting increases in the monthly stipend, authorizing a loan repayment incentive option, and allowing a recoupment clause for those who default on their "College First" responsibilities. These program improvements should make the "College First" program more viable, and we hope that Congress will remain open to further changes that will enhance the program's chance of success.

In addition to targeting the college market, we have several on-going pilot programs designed to tap the high aptitude, non-high school diploma graduate market. The National Defense Authorization Act for Fiscal Year 1999 directed a 5-year project to attract more home schooled graduates and ChalleNGe-GED holders to the military by treating them as high school diploma graduates for enlistment purposes. Early analysis indicates that results in those experiments are mixed. As the sample size continues to increase throughout the pilot test, we will assess the military performance and attrition behavior of the home schooled and ChalleNGe recruits to determine their appropriate enlistment priority.

The Army will continue the GED Plus test program in fiscal year 2003. This program provides for up to 4,000 individuals who left high school before obtaining their diploma with an opportunity to earn a GED and enlist in the military. GED Plus applicants have to meet stricter screening criteria than high school diploma graduate applicants. They must all be Armed Forces Qualification Test score category I–IIIA (top 50th percentile), they must score well on an Assessment of Individual Motivation (AIM) test (which is correlated to attrition), and they cannot require a waiver for morals or drug and alcohol. Because GED Plus graduates are required to have above average enlistment test scores, job performance should not be adversely affected. The GED Plus program is scheduled for completion in fiscal year 2004.

Fiscal Year 2002 Enlisted Recruiting Results

During fiscal year 2002, 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 achieved their numeric goals.

The quality of new recruits remained high in fiscal year 2002.[1] DOD-wide, 93 percent of new recruits were high school diploma graduates (against a goal of 90 percent) and 68 percent scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60 percent).

The Montgomery GI Bill continues to be an extremely popular recruiting incentive. Over 96 percent of all new accessions enroll in this program which provides over $35,000 in benefits to a new active duty recruit in return for a $1,200 contribution from current pay. An additional option allows a service member an opportunity to contribute up to an additional $600 in return for $5,400 of potential benefits over a 36-month period. The Department continues to view the MGIB as one of our Nation's best investment programs—a military recruiting tool for the Services today, and a more educated veteran for our country in the future.

Fiscal Year 2003 Year-to-Date Results

Through the first quarter of this fiscal year (October to December 2002), the Services achieved 99 percent of their "shipping mission," enlisting 71,194 young men and women. All active components met or exceeded their first quarter goals. The Reserve components achieved 97 percent of their first quarter mission, with the Army National Guard achieving 86 percent. It is too early to determine if the Army National Guard shortfall is an anomaly or a trend; but plans are already in place to monitor it. Overall, recruit quality in both the active and Reserve components remains high.

Unlike the active component, the Reserve components do not routinely contract recruits for accession into a future period. So, while the active components entered fiscal year 2003 with healthy delayed entry programs, the Reserve components must recruit their entire goal in this current fiscal year. The recruiting goals for fiscal year 2003 are higher for 4 of the 6 Reserve components, with a total Reserve component recruiting goal of 141,450 (a 3.8 percent increase over the fiscal year 2002 goal).

The trend of increasing the percentage of Reserve component recruits without prior military service continues. Approximately 50 percent are now expected to come from civilian life. This is a result of high active component retention and lower Individual Ready Reserve populations.

For 2003, all Reserve components are continuing to focus their efforts on maintaining aggressive enlistment programs by targeting 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.

Officer Programs

All Services met their numerical commissioning requirements in fiscal year 2002. However, both the Navy and Air Force continued to experience shortfalls in certain specialties, usually those that require a specific educational background. The Navy missed its goals for pilots, naval flight officers, civil engineers, chaplains, and most medical and medical support specialties. The Air Force was short navigators, intelligence officers, weather officers, physicists, and engineers. Many of these career fields offer higher pay and more opportunity in the civilian workforce. Also, these career fields are academically challenging and it takes more people on scholarships to produce just one graduate. Both Services have faced this problem for the past several years and continue to utilize the various incentives available, such as scholarship for specific degree programs, to ensure they attract enough individuals with the required prerequisites.

Overall in fiscal year 2002, the Reserve components achieved over 97 percent of their officer accession goals. The Services continue to work on reducing shortfalls in the Reserve officer ranks through emphasis on both recruiting and retention.

Active duty officer accessions are on track in all Services for numerical success this year, but the Navy and Air Force continue to pay special attention to the specialty mix.

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[1] Although the Army National Guard and Naval Reserve fell short of the desired high school diploma graduate (HSDG) rate.

Retention

Retention results for 2002 were strong and the positive trends continue. Each Service met or exceeded its aggregate retention goals. The improved result for all Services is due importantly to strong retention programs, including the targeted pay raises Congress has approved in the last 2 years.

The enlisted retention outlook for fiscal year 2003 is good, although the full effects of stop loss are yet to be felt. For example, some service members previously affected by stop loss, who had planned to separate may decide to reenlist; while others who had planned to extend their tours of duty may not want to be involuntarily extended again under a future stop loss program.

Despite success in meeting the numeric goals, shortages in a number of technical enlisted specialties persist in all Services. Examples of shortage skills include special operations, aviation maintenance, information technology specialists, electronics technicians, intelligence linguists, and air traffic controllers. We will continue to depend on judicious use of bonuses and special pays to achieve desired retention levels in these skills. The Army is targeting experienced noncommissioned officers with special operations skills with the Critical Skills Retention Bonus (CSRB) program.

Officer retention challenges from fiscal year 2002 are expected to continue into fiscal year 2003. This primarily involves career fields whose technical and scientific skills are easily transferable to the private sector. The Army, Navy, and Air Force are banking on the CSRB program, enacted by Congress in the National Defense Authorization Act for Fiscal Year 2001, to help improve retention in targeted critical skills. But appropriations for these bonuses were cut in the past 2 years. We hope Congress will support these important investments this year. Targeted skills include: developmental engineers, scientific/research specialists, acquisition program managers, communication-information systems officers, civil engineers, surface warfare and submarine support officers, and designated health professionals across all the Services.

Compensation

Attracting and retaining high caliber individuals for a trained and ready All-Volunteer Force requires a robust, competitive, and flexible compensation system. In addition to basic pay, compensation includes all pays and allowances, such as housing and subsistence allowances, and special and incentive pays.

Targeted pay raises are needed because increased educational attainment on the part of the enlisted force has made the existing military pay structure less competitive. We appreciate Congress' direction on the 2002 and 2003 pay raises to target additional raises for NCOs, as well as mid-level officers. We recommend Congress adopt our proposed targeted pay raises for our mid-level and senior NCOs and warrant officers for fiscal year 2004.

In addition to maintaining efforts to achieve competitive pay tables, the Department recommends continuing to increase military housing allowances significantly, with the goal of eliminating average out-of-pocket costs by 2005. Building on the current year's increases, the fiscal year 2004 budget requests further improvements in the allowance, reducing the average out-of-pocket costs from 7.5 to 3.5 percent.

In January 2002, the Department implemented a new authority provided by Congress to allow the uniformed forces to participate in the Thrift Savings Plan (TSP). This opportunity represents a major initiative to improve the quality of life for our service members and their families, as well as becoming an important tool in our retention efforts. In its first year of operation, TSP attracted nearly 303,000 enrollees, 241,000 active duty and 62,000 Guard and Reserve members. The Department projected that 10 percent of active duty members would enroll in the first year; in fact, we had 17 percent sign up, exceeding our expectations.

The National Defense Authorization Act for Fiscal Year 2003 provided a new Combat-Related Special Compensation for military retirees with combat-related disabilities. Eligible recipients are those retirees who have 20 years of service for retired pay computation and who either have disabilities because of combat injuries for which they have been awarded the Purple Heart or who are rated at least 60 percent disabled because of armed conflict, hazardous duty, training exercises, or mishaps involving military equipment. We are working closely with the Department of Veterans Affairs to identify potentially eligible members and establish and implement application procedures and requirements. We intend to have applications and instructions available by late spring so eligible retirees can begin applying. The retiree newsletters for each branch of Service should provide the first information about when and where eligible retirees may submit claims for compensation. We will keep the Service-related associations and other appropriate organizations informed as well.

In 2003, we are examining compensation programs for Reserve component members. The current and anticipated military environments require employment of Reserve Forces in ways not imagined when current compensation programs were designed. Current thresholds for housing allowances, per diem, some special skill and duty pays, and a range of benefits may not fully support the manner in which Reserve component members may be employed in the future. Compensation programs must be sufficient to attract and retain capabilities to meet continuous, surge and infrequent requirements. As we examine options and formulate alternatives, we will adjust DOD regulations and include proposed statutory changes as part of the Department's legislative program.

Managing Time Away From Home (PERSTEMPO)

Although the provisions of law that require specific management oversight, tracking and payment of PERSTEMPO per diem have been waived during the current national emergency, the Services are continuing to track and report PERSTEMPO data. We understand the effects of excessive time away from home on the morale, quality of life and, ultimately, the readiness of service members even during wartime conditions. That is why we have asked the Services to continue efforts to improve their data tracking and to explore ways to further reduce PERSTEMPO while still meeting mission objectives.

Despite our best efforts, however, a number of specialties in each Service will continue to experience high deployment rates until we can fully adjust our force structure, force stationing and deployment practices. We are recommending changes to the current law that provide a better way to manage this challenge and compensate the individuals affected. The proposal would replace the current $100 High Deployment Per Diem with a progressive monthly High Deployment Allowance (HDA), authorize the Services to compensate members for excessive deployments based upon the duration as well as the frequency of their deployments, and set the statutory limit for HDA at $1,000 per month.

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 missions. 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. We will no longer simply deconflict or synchronize unique Service warfighting instruments, but rather integrate them into a single, focused capability. We will also expand "jointness" beyond the Services and into intergovernmental, interagency, and coalition realms so that, as Secretary Rumsfeld has so often noted, "we train like we fight and fight like we train."

Transformed training is a key enabler to transforming this fighting force. DOD plans to link joint training and readiness assessments and reporting through the Defense Readiness Reporting System (DRRS) and continue development of a core on-line curriculum for expanded access to joint military education and training. Our offices will also review and update acquisition and maintenance policies, plans, programs, and procedures related to training to include embedded training in operational systems.

As we have witnessed in the skies above and on the ground within Afghanistan during Operation Enduring Freedom, it is not easy to plan and execute complex combat operations when the Services have not fully trained in accomplishing those tasks. 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. The Department of Defense is implementing its Strategic Plan to transform training, with the establishment of a Joint National Training Capability by October 2004 as a key component. The U.S. Joint Forces Command will work with the military Services and Joint Staff to achieve a realistic, global combat training and mission rehearsal capability that incorporates interagency, intergovernmental, and coalition partners. Our focus is to better enable joint operations so that we never conduct an operation for the first time in combat.

Readiness Assessment and Reporting

We are currently in the process of transforming how we report and assess the readiness of our forces to meet the challenges of today's defense environment. Our new Defense Readiness Reporting System (DRRS), is an output focused, near-real time assessment system that measures the capabilities of our military units, defense agencies, and supporting infrastructure to perform their assigned missions. We have

already established the policy and direction, and are now developing the methodologies and analytic tools to enable rapid readiness evaluation and risk assessment across the entire Defense enterprise. DRRS builds upon the best characteristics of our current readiness systems, and uses information technology to capture key transactional data from our personnel and equipment management systems. DRRS uses modeling and simulation to test the feasibility of our operational plans, and helps to frame the significant risk and planning issues. We expect to have an initial capability for DRRS in late 2004, with a fully operational system by 2007.

QUALITY OF LIFE

A partnership exists between the American people and the military community that is built on the understanding that both service members and their families are vital to the readiness and strength of our Armed Forces. Today, over 60 percent of today's military service members have family responsibilities, necessitating a firm commitment to underwrite family support. President Bush has repeatedly stressed the need to improve the quality of life of our men and women in uniform, and in one of his first presidential directives upon taking office, he asked the Secretary of Defense to "undertake a review of measures for improving quality of life for our military personnel." The sentiment was later echoed in the 2001 Quadrennial Defense Review, which declared that the Department "must forge a new compact with its warfighters, and those who support them."

The fruit yielded by those early instructions is the new Social Compact, an ambitious review and long term plan for quality-of-life programs that renews the Department's commitment to our Service men and women and their families. Unprecedented in its scope, the Social Compact is built on the input from each of the Services as well as the Office of the Secretary of Defense. It seeks to address the issues of greatest importance in the lives of our service members and their families.

As we move forward, the military departments will improve family support to meet the needs of the changing demographics of the force, with specific emphasis given to meeting the needs of the off-base population and Reserve components families. Delivery of services and information by exploiting technology will be a priority. Further, today's issues of spousal careers and quality education for military children are family concerns of high importance.

Family Assistance/Toll Free

When our service members deploy around the world, whether to Afghanistan, Iraq, or one of numerous other posts, their families on the home front are first and foremost in their thoughts. They want to know how the family is getting along, how the kids are doing in school, if the bills are being paid, and if there's someone to lend a hand when problems arise.

With the majority of the force having family responsibilities, we must ensure that the families have the support and assistance they need when they need it, or our war-fighters might arrive on the battlefield distracted by concerns for the welfare of their loved ones. This is not an acceptable risk. That is why we must reach out to every military family, be they active duty, Reserve or National Guard. We want every service member to have a lifeline to support and assistance and to know that the same is available to his or her family. Someone they can call on, day or night, who will help them solve the crises they often face alone.

We have begun implementation of a toll-free 24 hour, 7 day a week family assistance service. This service puts families and service members in contact with experienced, professional counselors who can provide immediate assistance with issues ranging from parenting and child care to financial counseling to how to find a plumber at midnight. Ultimately, this service will provide all of our service members and families with immediate information on support available on the installation or in their community. This will include, among a range of services: child care, domestic violence prevention and family advocacy, educational opportunities, and spouse employment resources.

Domestic Violence

The Department continues to make significant progress in addressing the issue of domestic violence within military families. We have reviewed two reports from the Defense Task Force on Domestic Violence and anticipate receipt of the final report shortly. We fully support more than three quarters of the recommendations, and anticipate that we will support 90 percent of them when we have completed studying a few issues. We have created an implementation team that is working to ensure that these Task Force recommendations are incorporated into DOD policy. The Task Force is preparing key response and intervention protocols for law enforcement and commanders and we are preparing to implement these in Service

training programs. To improve DOD's response to domestic violence in the community, the Department will develop a confidentiality policy to protect appropriate communications.

The Army reviewed the domestic violence tragedies at Fort Bragg and identified some policies and practices that may need changing. The Department is looking at which of these apply to all Services, and if so they will be changed in the implementation process.

Family Support and Spouse Employment

There is a symbiotic link between family readiness and force readiness. We have worked hard this past year to reinforce the family and personal readiness posture of the active and Reserve component members.

We continue to support the families of military personnel involved in Operation Enduring Freedom. This includes deployment support programs for spouses, children, parents and extended family whose loved one has deployed as part of the global war on terrorism. In anticipation of a major contingency, DOD established a working group with representatives from all active and Reserve components and several Defense agencies. The purpose of the group is to assess the family support capability of each organization and make recommendations to strengthen programs and services for the families. As a result, we issued comprehensive guidance to reinforce the importance of family support, focus on specific areas based on proven practices, and encourage creative responses to new challenges. Most important, the family support strategy is one force-based, which is critical to overall success.

We know that providing accurate information is the most supportive effort we can make to assist families. As a result, we are making maximum use of Web sites to communicate important information to families affected by deployment and family separation. Each of the military Services and the office of Reserve Affairs have established comprehensive and effective Web sites to support the families as well. The most popular of these pages attract over 2 million hits per quarter. We are also using other technologies, such as e-mail, to help maintain contact between deployed service members and their families. Our goal is to ensure that every family of a deployed service member has direct access to the support and services they need.

Our "Guide to Reserve Family Member Benefits" 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. Additionally, a Family Readiness Event Schedule was developed to make training events and opportunities more accessible for family support volunteers and professionals. It also serves to foster cross-Service and cross-component family support, which supports the desired end-state of any service member or family member being able to go to a family support organization of any Service or component and receive assistance or information.

The family readiness "tool kit" is available to assist commanders, service members, family members and family program managers with pre-deployment and mobilization information.

At the same time, long-range recruiting and retention roles continue to drive family readiness programs such as spouse employment. Recent initiatives, like the Navy's partnership with an international staffing firm and entrepreneurial initiatives focused on virtual business opportunities, have begun to yield significant results in terms of spouse employment and spouse morale. In addition, new measurement strategies at the installation and national level promise better, real-time assessment and analysis of spouse employment program effectiveness.

Financial well-being of military families is seen as a critical part of the Department's new Social Compact. The military Services have provided financial training and counseling services to aid military families in using their resources wisely. However, we have found that our junior enlisted service members and families continue to experience financial problems in larger numbers than their civilian counterparts. As a result, the Department is engaging in a financial literacy campaign focused on improving financial management abilities and changing behavior to improve resource management for current and future needs. The primary market for this campaign will be the junior enlisted member and the spouse, who though often the primary financial manager for the family, may not have received any guidance in managing home finances. Several Federal agencies and non-profit organizations have pledged their support to accomplish these goals through the financial literacy campaign. Their participation will enhance our expertise and also provide an avenue for the American public to support its troops.

Employer Support

A Guard and Reserve employer database was established in late 2001 to enable the Department and others to communicate directly with employers on appropriate Reserve component issues. In addition to the Department's need for employer information, military leadership continues to express interest in the civilian-acquired skills and joint operations experience of Guard and Reserve members. Building employer support requires a strong network comprised of both military and civilian-employer leaders, capable of providing communication, education and exchange of information. Employers need to understand their legal requirements for Guard and Reserve employees and also the importance of the Reserve components' contribution to our national defense.

Since most Reserve component members have a full-time civilian job in addition to their military duties, civilian employer support is a major quality-of-life factor. The Department recognizes the positive impact employer support has on Reserve component readiness, recruiting and retention, and accomplishment of the Department's missions. The National Committee for Employer Support of the Guard and Reserve (ESGR) is charged with enhancing employer support and coordinating the efforts of a community based national network of 55 committees consisting of 4,200 volunteers in every State, the District of Columbia, Europe, Guam, Puerto Rico, and the Virgin Islands to meet their important requirement.

ESGR has greatly expanded its "Statement of Support" Program in the past year, which highlights the public signing by an employer of a statement pledging to publish and implement personnel policies supportive of employee service in the National Guard and Reserve. Forty-four Governors have signed Statements of Support and two more are scheduled to sign very soon. Many nationally known companies have also signed Statements of Support and hundreds of small and mid-sized companies, communities, and local chambers of commerce have also publicly signed ESGR Statements of Support in the past year.

Child and Youth Development

Affordable, quality child care remains one of the most pressing and persistent needs of families throughout the Department. The Department considers child care to be a workforce issue with direct impact on the effectiveness and readiness of the force. The fiscal year 2004 budget request continues to maintain child development programs at over 300 locations with 900 child development centers and over 9,200 family child care homes. Even with this vast system of support, we still project a need for an additional 40,000 spaces. Expansion efforts are continuing.

As contingency operations increase, Services are customizing and expanding child care programs to meet specific mission requirements. Various installations offer extended hours care, care for mildly ill children, and child care so that both service members and spouses can attend deployment briefings.

Partnerships with other agencies have really paid off for our youth. One example is the dynamic collaboration with Boys & Girls Clubs of America. DOD youth programs benefited from expanded scholarships opportunities and marketing initiatives. Program upgrades of computer centers allow youth and children to stay in touch with a mom or dad deployed many miles away. To address the concerns of youth at risk, we improved the Military Teens on the Move Web site for youth relocation issues and deployed the Community Assessment for Youth tool to assess community issues and to assist commanders to find solutions.

Educational Opportunities

With the support of Congress, last year the Department provided $30 million to heavily impacted school districts serving military dependent students and an additional $3.5 million to eligible school districts to reduce the cost of providing services to military children with severe disabilities.

The Department has reached out to public school districts and State education authorities to engage them in helping ensure military dependent students receive a quality education. We have asked districts to share best practices with one another to help eliminate problems experienced by children of military personnel who are forced to change schools frequently due to the reassignment of the parent or guardian. Within the last 2 years we have brought together over 300 students, parents, military leaders, school personnel and State policy makers to address and give visibility to these issues which affect about 600,000 children. We will soon activate a Web site that will provide information to help make transfers smoother.

Once we begin the base realignment process, a careful look at the quality of life of civilian communities where our military families live is warranted. We owe children a good education no matter where their parents may serve, as well as good

child care, homes, and spousal career opportunities. It will be important to tie base closure and realignment discussions to the quality of life in the local community.

The Department continues to operate one of the Nation's largest post-secondary education programs. Service members' participation in the off-duty voluntary education program remains strong with annual enrollments exceeding 600,000 courses. Last year, service members were awarded over 30,000 higher education degrees by hundreds of colleges and universities. Policy increasing tuition assistance became effective October 1, 2002. New levels of support virtually eliminate service members' out-of-pocket costs for earning a degree. Army, Air Force and Marine Corps have implemented the new policy. Navy has indicated it has insufficient funds to implement the policy and has restricted sailors to a maximum of 12 credits for which tuition assistance has been authorized.

RESERVE MOBILIZATION AND TRAINING

Reserve Forces continue to exhibit their willingness and preparedness to support the one force during rapid mobilizations and deployments in the various ongoing contingencies and emerging operations around the globe. In addition to the traditional methods of employing Reserve Forces, the Department has engaged in some visionary new projects that have expanded the capabilities to support combatant commanders virtually.

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. For the past 18 months, we have mobilized over 230,000 Reserve personnel, 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 7 March 2003, there are 178,886 mobilized under 10 U.S.C. (12302).

- Army National Guard (ARNG): 67,652
- Army Reserve (USAR): 60,764
- Air National Guard (ANG): 12,762
- Air Force Reserve (USAFR): 10,957
- Navy Reserve (USNR): 8,005
- Marine Corps Reserve (USMCR): 15,798
- Coast Guard Reserve (USCGR): 2,948

Support to Mobilized Reservists

Taking care of our mobilized Guard and Reserve members and their families is a top priority for the Department. While we can draw on our experience from past call-ups, we continue to examine our policies and programs to ensure that our mobilized reservists do not feel disenfranchised and that we have systems in place that support families.

Screening and Key Employee Exemption Process

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 "screening" program to ensure the availability of Ready reservists for mobilization. Once a mobilization is declared, all screening activities cease and all Ready Reserve members are considered immediately available for active duty service. At this 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, 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 accommodate overall national security efforts.

We are developing new policies that would require members of the Ready Reserve, especially the Selected Reserve, to provide the Department with limited information about their civilian employers. Having employer information will not only assist us in improving our employer outreach programs, but more importantly, it will provide a better understanding during mobilization planning of the impact mobilizations will have on local communities and industries. The need for better employer-related information is a priority for us in the new threat environment we are facing. Additionally, obtaining accurate and current employer information is critical for the Department to comply with our statutory responsibilities for continuous screening of Reserve units and individuals.

Training

Training is a fundamental pillar of readiness and Reserve component issues and concerns must be addressed as an integral part of defense training—specifically that Reserve component training issues must be developed concurrently with active issues and included in new training transformation initiatives. We have made a concerted effort to ensure that the unique requirements of our reservists are highlighted and given every consideration as we implement Reserve component training under a one force approach. This approach will continue to pay great dividends, not only for the Reserve component, but for the entire force as the Reserve components blaze the trail for distributed learning and other "virtual" approaches.

In the past year, we've experienced some very exciting developments in the training environment that will leverage use of new technologies to "just in time" training, and training oriented to improved job performance. This focus on distributed learning strategies and employing more robust communications tools will continue to pay great dividends for the total force. The National Defense Authorization Act for Fiscal Year 2002 included changes that allow the Reserve components to receive compensation for completion of electronic distributed learning, adding significantly to the opportunities of our personnel to embrace these concepts. We are undertaking a study to develop policy recommendations for the implementation of a Department-wide compensation policy for the completion of training required by individual Services. These new and emerging technologies provide exciting training opportunities across all components—not just the Reserve component.

MODERNIZING CIVILIAN PERSONNEL MANAGEMENT

On September 27, 2002, the Department completed deployment of the modern Defense Civilian Personnel Data System (DCPDS), DOD's enterprise civilian human resources information system. With the final deployment, the system reached full operational capability, and has now been fielded to all DOD civilian human resources (HR) Regional Service Centers and Customer Support Units. The system supports over 800,000 civilian employees in the Department worldwide, including appropriated fund, non-appropriated fund, demonstration project, and local national employees in 13 host countries. DCPDS also provides operational and corporate-level information management support to all management levels within the Department. The deployment of DCPDS caps the largest HR transformation initiative in the Federal Government: the DOD HR Regionalization and Systems Modernization Program, which has generated savings through the consolidation of DOD civilian HR operations into a regionalized environment, based on standardized and reengineered business processes, supported by a single HR information system.

The Human Resources Strategic Plan for Fiscal Year 2002–2008 is a living document. Adjustments are made on a continual basis, with the changes published in an annual annex. Twenty-six performance indicators were completed during fiscal year 2002, including implementing HR system changes to enhance recruitment; benchmarking HR processes and practices against industry best practices; promoting diversity initiatives; and maintaining high-level strategic alliances with other public and private HR organizations. DOD experienced successful completion of the first year goals and we are well on the way with the fiscal year 2003 accomplishments.

An excellent method to develop, nurture and sustain the best and brightest members of our current workforce is the Defense Leadership and Management Program (DLAMP). DLAMP is the premier leadership development program for senior DOD civilians and a key component of the succession planning program. Full and complete funding of this program is vital to DOD to ensure the proper development and education of future senior civilian leaders, prior to the departure of any eligible senior executives.

Additionally, DOD is continuing efforts to improve the academic quality and cost-effectiveness of the education and professional development provided to its civilian workforce. We have made good progress towards obtaining accreditation for DOD institutions teaching civilians. DOD anticipates that all but one of these institutions will have gained accreditation by the end of this year. We are also working towards implementing the academic quality standards and metrics and associated data collection system developed last year. These will provide our institutions a mechanism for performance benchmarking and will give decision-makers accurate and timely information on the quality and cost-effectiveness of our institutions. Finally, we have progressed well in our research to identify the lessons learned and best practices used by educational institutions, corporate universities, and government agencies; we are applying those lessons and practices to improving the academic quality and cost-effectiveness of DOD civilian education and professional development.

HEALTH CARE

Military Health System Funding

In the President's budget request for fiscal year 2004, the Defense Health Program (DHP) submission is based on realistic estimates of delivering health care. It includes assumptions for growth rates in both pharmacy (15 percent) and private sector health costs (9 percent). Still, we need flexibility to manage our resources. We seek your assistance in restoring the contract management flexibility you provided in the National Defense Authorization Act for Fiscal Year 2002 and in alleviating restrictions on moving resources across budget activity groups. Our beneficiaries who are not enrolled in TRICARE PRIME make their own choices about where they receive their health care. When they choose purchased care, and our private sector care costs go up, we need to be able to realign funds to cover these bills. If the Department has to wait several months for a prior approval reprogramming, contractors and providers are essentially "floating" the government a loan. This is contrary to good business practice and harms our relationships with our contracting partners and participating providers. Health care costs for the TRICARE for Life benefit will be received from the Medicare-eligible Health Care Accrual Fund, and are not reflected in this appropriations request.

The Department has developed, and is implementing, a 5-year strategic plan for the Military Health System. The plan was developed using a balanced scorecard methodology and focuses on the successful implementation of the dual mission of providing support for the full range of military operations and sustaining the health of all those entrusted to our care. Key measures in the plan include readiness, quality and efficiency.

Force Health Protection and Medical Readiness

Even before the global war on terrorism, the Military Health System (MHS) had numerous activities underway to ensure force health protection and medical readiness. These efforts include development of a joint medical surveillance capability, joint medical response operations, and an aggressive immunization program to counter possible exposure to anthrax or smallpox. The fiscal year 2004 budget continues to support these efforts.

TRICARE

TRICARE's success relies in part on incorporating best business practices into our administration of the program, specifically in regard to how our managed care contracts operate. We have carefully coordinated and planned for the next generation of TRICARE contracts (T–Nex). A basic tenet of the T–Nex acquisition is to exploit industry best practices to support the basic benefit structure of the TRICARE program. We enter this new generation of contracts with a commitment to our beneficiaries to earn their satisfaction, and to provide a near-seamless transition to our future providers.

Delivery of TRICARE for Life benefits continues to be a great success. In the first year of the program, we processed over 30 million claims; the overwhelming majority of anecdotal information we receive is that our beneficiaries are extremely satisfied with TRICARE for Life. They speak very highly of the senior pharmacy program as well. This program began April 1, 2001, and in the first year of operation, 11.6 million prescriptions were processed, accounting for over $579 million in drug costs.

Reserve Component Health Care Benefits

The Department has introduced several health care demonstration programs since September 11, 2001, to provide an easier transition to TRICARE for the growing number of Reserve component members and their families who are called to active duty. These demonstrations have helped to preserve continuity of medical care and reduce out-of-pocket costs for these families. We are revising our administration of Reserve benefits to ensure that families are not arbitrarily excluded from benefits that were intended for them. We have also revised our policies to ensure that family members of reservists who are activated are eligible for TRICARE Prime Remote benefits when they live more than a one hour's commuting distance from a military medical facility, regardless of the mobilization site of the service member. In addition, reservist families can enroll in TRICARE Prime if a member is activated for 30 days or more.

Coordination, Communication, and Collaboration

The MHS has built many strong relationships among other Federal agencies, in addition to professional organizations and beneficiary and military service associations. The Department's relationship with the new Department of Homeland Secu-

rity will demand effective cooperation across the spectrum of functions across the Department.

MHS collaboration with the Department of Veterans Affairs dates back many years, but we are especially proud of recent accomplishments. We have made great strides this year in partnering to provide health care to DOD and VA beneficiaries in areas such as North Chicago/Great Lakes and Southern Texas. We are pursuing other opportunities for resource and facility sharing and will report on them to Congress over the next few months as required by the National Defense Authorization Act (PL 107–314). We have experienced remarkable success in our joint pharmaceutical-related efforts. In fiscal year 2002, our joint pharmaceutical contracting resulted in over $100 million in cost avoidance for the Department. We continue to collaborate with the VA through the VA–DOD Joint Executive Council, where senior healthcare leaders proactively address potential areas for further collaboration and resolve obstacles to sharing. The Department has worked with the Department of Veteran's Affairs throughout the past year as an active participant on the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans. The Task Force has reviewed many aspects of each department's health care business. As stated in their Interim Report released in July 2002, the Task Force "is encouraged by the establishment of the VA/DOD Joint Executive Council . . . (which) recently agreed to undertake a strategic planning initiative, the first time such a joint planning endeavor has been initiated." We look forward to receiving their final recommendations.

Military Medical Personnel

The added flexibility for administering health professions' incentives that you included in the National Defense Authorization Act for Fiscal Year 2003, including increasing the cap for clinical professions up to $50,000/year for some of our accession and retention bonuses, and improving the Active Duty Health Professions Loan Repayment Program authority, are greatly appreciated. The Services are working with Health Affairs to develop plans for future targeted pay increases in those clinical areas where there is difficulty in filling requirements.

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.

I would like to take this opportunity to note that the joint efforts of Congress and the Department are beginning to pay off. Service members who completed the web-based 2002 Status of Forces Survey opinion survey expressed greater satisfaction with almost all aspects of service life than they had 3 years earlier. For instance, results show a significant gain in satisfaction over compensation. This is directly attributed to the annual pay raises that exceeded wage growth in the private sector, and housing allowance hikes set higher than the yearly rise in local rents. Congress was instrumental in making this happen.

Even better news is that more than 80 percent feel they are ready to perform wartime duties. This is certainly a positive endorsement for the programs that you have helped us enact. I am hopeful that I can count on your support in the future. I look forward to working with you closely during the coming year.

Senator CHAMBLISS. Thank you very much, Dr. Chu, and we appreciate your brevity and your directness with respect to these issues. First of all, let me just say that the budget request for 2004 for active duty end strength is very similar to last year's. Most notable is the Navy's reduction of some 1,900 sailors.

As the service chiefs testified before the full committee last month, the real challenge appears to be finding the right mix of active, Reserve, and civilian personnel to best accomplish this mission. What is your view about the adequacy of the end strength being requested to successfully support the wartime operational demand being placed on the Armed Forces?

Dr. CHU. Sir, we think it is adequate. It is important to be able to shift the application of that end strength. That is one of the reasons the Secretary of Defense would like a national security personnel system, because he would like to move some of the posts

that are now uniformed to civil status and allow that head room to be applied to new missions that only a uniformed force can discharge. We believe that the numbers in the budget request for military personnel, active and Reserve, are adequate to our need.

Senator CHAMBLISS. Secretary Hall, let me ask you a question along that same line. We are calling up the Guard and Reserve at a greater pace than ever before. It is not something new just for this current potential conflict, but over the last several years we have certainly called on the Guard and Reserve more and more. What is your opinion as to whether or not the Active-Duty Forces are sufficient to fight the battles that need to be fought without continuing to rely heavily day to day on both the Guard and Reserve?

Secretary HALL. I think the active duty end strength is adequate, and with our Reserve end strength and Guard of about 870,000. When you add the IRR to it, it comes to about 1.2 million. I think that is adequate for both the Guard and Reserve.

I think the real issue is if the balance is exactly right, and we have over a period of the past 10 years called up our Guard and Reserve about seven times. We have examined the ones that have been called up, and in many specialties those are the ones that might get called up the most often. What I think we need to do is perhaps look at rebalancing. A small amount of those that should perhaps move to the active side, and a small amount from the active side doing other missions move to the Reserve. I think we can rebalance within current end strength on both the active and Reserve side, and we are looking at that, of not requesting any more, but obtaining the proper balance between the two.

Senator CHAMBLISS. Dr. Chu, I hear you talking about the modifications in hiring of civilian personnel, and you and I talked about this in my office a week or so ago. I was thinking about that this morning as I was contemplating what we are going to be discussing here today.

I had a gentleman in my office yesterday applying for a staff position, and admittedly we had 24 hours to check out his resume and his references but we hired him yesterday. As we move into the proposed changes that are going to be forthcoming from a legislative standpoint to try to give you this flexibility, tell us what it takes you to hire somebody for a Civil Service position in whatever circumstances you want to use as an example.

Dr. CHU. The average is 3 months. At the Secretary's town hall meeting just this week, a young lady stood up who works for the General Counsel's Office and complained that she is trying to place college graduates, and she lamented it took her 8 weeks. I actually congratulated her for coming in below our usual number.

You first must write the job description, you must post it correctly, you must compete the position, you must consider the applicants, and then you can finally make a choice. It is a lengthy process both from the individual's perspective and from the supervisor's perspective. I think it deters the use of the Civil Service as one of our key instruments for staffing the Department, and it makes it hard for the Civil Service to be a responsive instrument, as needs change quickly, particularly the description of what your job entails.

In your office I suspect what you do is, you tell a young man or young woman, here is what I want you to do. If we do that, we have to go and rewrite the job description, recompete the job, and we must hope that the current incumbent, if that is the manager's desire, successfully win, that revamped post.

Senator CHAMBLISS. The flexibility you are going to be asking for, is that going to have to be done legislatively, or can we do any of it by regulation?

Dr. CHU. Largely, sir, this is a legislative issue in terms of powers that would need to be given to the Department of Defense in order to move in that way. I think Congress has blazed a path here, with the homeland security bill, which contains some of these elements, and some of these elements are Government-wide in scope and will be applied, but we would like to go a bit further than that bill does.

I would mention specifically the right to make prompt—on-the-spot, if possible—job offers at college job fairs. I think that is going to be important as the market tightens again for talented young men and young women, as it was during the so-called dot com bubble. We were frankly not competitive in that environment.

Senator CHAMBLISS. Thank you. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman, and thank you, Dr. Chu.

The first question I have relates to the President's budget, and the budget request combines the active and Reserve pay accounts into a single appropriation with separate budget activities. Can you explain the rationale for this budgeting change, and also what safeguards will exist to preclude the active Services from utilizing Reserve training and pay accounts in the last quarter of the fiscal year?

Dr. CHU. I am going to let Secretary Hall also offer his views if I may, sir. I pointed out to the Reserve community that that opportunity works both ways, and they might be the beneficiary of that.

Senator BEN NELSON. I think they are more worried about being on the short end.

Dr. CHU. I understand that, sir. Each side is always worried that it is going to be the billpayer. I do think, all levity aside, that the safeguard is the fact that there still would be separate budget activities, so this is not something where one could raid one in order to support the other, in my judgment.

It would enhance our ability to manage the Department and I think that is really the key. Flexibility in fund transfers, which are now problematic, given the limited transfer authority available to the Comptroller, could be managed better.

Tom, did you want to add a word or two?

Secretary HALL. I think it gives more flexibility to the Secretary of Defense, and when I commanded the Reserve from 1992 to 1996, one of my worries was always not having the flexibility within all of my accounts to manage, so on that micro scale, I worried about that.

I think the Secretary of Defense worries about it on the macro scale, and certainly we have no indication that this would not work, and I think part of my obligation and all of ours is, if we see what you indicated, that the accounts are migrating in the wrong

way, we have the obligation to look at that and make that known, but I do not see at the present time that we should not try this. It gives more flexibility, and then we should report back to you if it does not work and monitor it ourselves.

Senator BEN NELSON. How would you determine what is migrating to the wrong way, because if you have the flexibility, anything you do by definition will be right.

Secretary HALL. I think as Dr. Chu said, the appropriations accounts will still be maintained. We will have visibility on them, and as they start out the year by quarter monitor, and see if you should see any one move to the other, I do not think there is a right or wrong. You can just monitor the movement and make a judgment on it.

Senator BEN NELSON. With respect to civilian personnel policies, Dr. Chu, the Department has made it known that it wants to implement this national security personnel system for DOD civilian employees, and of course, as you make these changes and envision these changes, do you plan to negotiate these proposed changes with the personnel of the affected employees in the process of making the changes?

Dr. CHU. Of course, in those cases where we are subject to union bargaining, we will respect that. This is not in any way an attempt to change that relationship, except insofar as I indicated about bargaining on future issues is concerned. We are intent on preserving merit principles, on preserving veterans' preferences, on preserving equal opportunity protections, but what we do need, in our judgment, is a system that can respond more promptly, more agilely both to changes in needs and changes in job requirements.

As we move to try to hire this replacement generation of Federal Civil Service workers, most estimates suggest the next 5 years, a quarter of the present Federal workforce could retire without waivers, a second quarter could retire with waivers within 5 years. Not everyone will seek to retire the first year he or she is eligible. I understand that, but it certainly means in the next decade we have to hire several hundred thousand people, a new generation of talent. It is going to be very hard to do that and compete successfully in the marketplace with what we have today.

Senator BEN NELSON. But you envision that raising the age will encourage less retirement? In other words, more people continuing in their positions because of the increased age?

Dr. CHU. I am delighted, and I think it is a tribute to their dedication to the mission that not every, in fact most defense civil servants do not retire the first year they are eligible. Generally, they wait a period of time. Now, they eventually do retire, and that is why we cannot ignore this problem, or put it off forever. We have time, I think, to consider what changes you in the legislative branch think are meritorious and to put in place a system that will serve us well in these early years of the 21st century.

Senator BEN NELSON. With respect to deployment policies—compensation issues continue to be of paramount concern to both the Guard and Reserve members, especially those who have been ordered to active duty. Many report significant cuts in pay. Some are more fortunate than others because civilian employees have supplemented their military pay.

What can we do to assist members of the Guard and Reserve who lose income because of their activation and because the activation can be for a continued and sustained period of time and/or reactivation at other periods of time? This becomes more important. Do you have any thoughts about what we could do to help in that regard?

Dr. CHU. I think obviously we want to start policy debates with a clear view of what is actually happening out there. I think it is interesting that if we look at the survey results from the recent past the Department has undertaken, that at least one-third, the most recent survey is perhaps as much as a half, say that their household income is actually slightly greater under mobilization than in their civil occupation.

In the earlier survey, about a third say it is less, a third say it is about the same, if I remember these numbers correctly, Tom, so the reduced pay is not something everyone suffers.

Second, in the end it is the lifetime compensation that counts. Reservists who complete 20 good years are eligible for an annuity at age 60 and for TRICARE for Life, which is a terrific benefit enacted by Congress just a few years ago. There is a set of lesser benefits, commissary privileges, and exchange privileges. I do think we have to take a lifetime view of what the compensation effect on the reservists might be. In my judgment it is the decision of that individual reservist to the question: are we being fair to him or her in terms of what we are offering versus what they are asked to do. I think the answer can be seen in our Reserve recruiting results over this last year or so.

Despite all the burdens, and those burdens started right on September 11, 2001, and indeed to some extent reached back before that year, with the deployment to the Balkans. Despite those burdens, our Reserve community has maintained its recruiting and retention success. Our Reserve components are right up there at their authorized numbers, so to me that argues we are about right. We may need to make some small changes at the margin. We are studying, as Congress directed, Reserve compensation programs.

I believe, Tom, you are planning to have that study ready at the middle or late summer period. You might want to say a word about that.

Secretary HALL. We are undertaking now a pay and compensation study to look at the full collage of benefits, from retirement to the ones that you mentioned, and we hope to have that ready by August, and we will report back to you. One other thing, Senator, that I have a great deal of interest in is the issue of whether our reservists and guardsmen lose any money. As Dr. Chu said, it looks like almost 66 percent actually hold even or gain some, and we took a look at—I did it in Nebraska from the Department of Labor statistics, and just looked at firemen, policemen, and teachers, because many of our people are in those particular areas, and the Department of Labor statistics indicated about $36,000, $37,000 for those particular ones.

We took an E–5, and we took an 03 and an 04, because in the E–5 and 03 and 04, those are many ones that are in those particular specialties, and asked ourselves, what would they do when they went on active duty? An E–4 or an E–5 with 7 years would actually

get about $37,000, so they would be just the same if they were a fireman, policeman, or a teacher. An 03 with 7 years would have $60,000, an 04 with 12 years would have $70,000. We see in those specialties in your State, and I think it is representative of others, that in fact many of them would get a pay raise.

Senator BEN NELSON. You might get an aberration where someone has a high income and has a mortgage and ongoing expenses, as was recently pointed out in a story that probably highlighted the difficulties of individual cases. They would take a substantial pay cut, even though their obligations would continue, and create quite a hardship for the family.

Secretary HALL. We have looked at that, and one of the exciting things is that with the employer's support of the Guard and Reserve we have now pulled some statistics, and almost 300 of our companies in America today are supplementing the differential in pay and are paying health benefits for the time that those guardsmen and reservists are on active duty. Over 44 of our Governors within the different States have signed statements of support, and I know in Oklahoma and Florida and others, if you are a State employee and also in the Guard and Reserve, the State is paying the differential in your pay and health care benefits. Many of our private and Government industries are stepping up to the plate to assist in that.

Senator BEN NELSON. Thank you very much. I would like to turn it over so others can ask their questions. Thank you, Mr. Chairman.

Senator CHAMBLISS. Senator Dole.

Senator DOLE. Mr. Chairman, I certainly want to welcome all of our witnesses, but I especially want to mention Dr. Winkenwerder, because he is a fellow North Carolinian. I know his family well in Asheville, North Carolina. I dare say that you enjoyed that Duke-Carolina basketball game more than I did Sunday afternoon.

Dr. WINKENWERDER. I did. It was great. [Laughter.]

Senator DOLE. Dr. Winkenwerder, I would like to ask you about an issue that relates to the relationship between the Department of Defense and the Department of Veterans Affairs. This has to do with a memorandum of understanding that was signed last year with regard to medical and health records. I am interested in how well that memorandum is working. Is it accomplishing the goal?

Mr. Chairman, I would like to ask that our staff also make this request of the VA chief information officers so that we could determine what their view is of this memorandum as well.

Dr. WINKENWERDER. Senator, thank you for saying that, and thank you for asking that question. We are very committed to improving the relationship, the working relationship between the DOD and the VA with respect to a wide variety of health care issues. Most particularly and very importantly with respect to the transfer of information, because it is very difficult for care to take place once a service member's service is terminated and he or she becomes eligible for VA benefits, unless that information is there from the prior history.

I am pleased to say that both our Chief Information Officer within the DOD health care system and the Chief Information Officer within the VA health care system have worked very closely to-

gether and now we are, as recently as about 3 months ago beginning to regularly transfer information as soon as service members are discharged so that those medical records are available. It is not the complete composite medical record, but it is the basic information, and they indicate that they are using it, it is helpful, and so we are pleased about that.

Senator DOLE. So we have made some real progress.

Dr. WINKENWERDER. Yes, we have.

Senator DOLE. That is great.

I understand the estimate for the current fiscal year for health care costs is in the range of 24 to $28 billion, and I would like to ask you what the Department of Defense is planning to do to control costs? Are there plans under consideration to consolidate the health care systems of the Services, and is that actively being discussed at this point?

Dr. WINKENWERDER. The cost of care for all of the Department of Defense health programs is a very important issue for me personally and for all of us to manage. We consume increasing resources with each year, and now we are spending into the tens of billions every year. I believe that money is being well spent, and that we are getting very good value for it.

That said, we have to be mindful of continually improving the way we do business so that, not unlike the personnel system changes that Dr. Chu described, we are agile and we can make changes and adjustments, whether that relates to where our services are provided, the benefit itself, the way we manage things.

For example, pharmacy, which I think everyone knows is probably the fastest-growing segment of health care. We have taken some changes just in the past year to consolidate all of our pharmacy management to create one national mail order pharmacy operation. We are soon to release a bid, request for proposal, which we will award several months from now for a consolidated national single retail pharmacy benefit. Those are competitively bid business activities.

With that buying power aggregated and, frankly, working together with the VA, this is one of the great benefits of our relationship with the VA. We aggregate-buy together and save hundreds of millions of dollars. I think there is more money to be saved in that area, and that would probably top the list of opportunities in terms of saving dollars and maintaining quality, improving quality at the same time.

There are some other things that we can do in terms of our fixed infrastructure to better use that, if we are not fully utilizing facilities to make them clinics, or not to have a fixed facility if we do not need it.

Senator DOLE. Right.

Dr. WINKENWERDER. So those are a couple of things that we are doing, but it is very important to us that we manage those dollars.

Senator DOLE. Good. Thanks very much.

Dr. Chu, I would like to ask you a question that is a follow-up from my visit to a number of our bases in North Carolina last week. I was at Seymour Johnson Air Force Base and Marine Corps Air Station Cherry Point, Fort Bragg, and I met with the commanders, with the enlisted personnel, met with the spouses sepa-

rately, and, where I could just one-on-one talk to them about the various issues. One thing that I was interested in is the issue of special stresses of repeated deployments for families that may be under stress already, where supervisors have determined this may be a marriage in stress, and when the young person comes back from that deployment, are there some special procedures in place to handle those kinds of situations?

If you could describe to me how you handle what might be called high stress cases, both from the perspective of the military member and the family member. I am interested in that particularly with what happened at Fort Bragg, with the terrible tragedy there.

Dr. CHU. Yes, ma'am, we have the tragic lessons of that experience very much in mind. I think we recognize now that when the individual returns home, if there is a high stress situation, we need to provide the right support both to the family and to the returning service member. We cannot count on their seniority as giving them sufficient insight to know exactly how to manage that situation.

More broadly, we think we need to put more tools in place that military families can use easily with confidentiality. We are running a major pilot, as you may be aware, of a nationwide 1–800 number where families can call up for a wide range of family services, including issues at the high stress end.

The Marine Corps has—and General Parks who is going to testify later this afternoon has been a leader in advancing that idea, and the entire Marine Corps is going to try that out, or is really on the road already to trying that out. We will evaluate that. We think that is a significant potential help to us in these kinds of situations, but we also believe there is a strong role for the classic family assistance center and its staff.

We are particularly attentive to the support that needs to be offered to our Reserve families, who often may be the only persons in their small local circle with this experience and do not have the same kind of resources that someone living on or near a military base might possess. We are trying to think through what we need to do for those families as well.

Senator DOLE. From your comments about the 800 number, I assume that across a broader spectrum, too, our Services are talking to each other and determining what the best practices are.

Dr. CHU. Absolutely, ma'am. We hold a quarterly meeting on quality-of-life issues, a Quality-of-Life Council. I am pleased the combatant commanders, including General Franks, have made a point of coming personally to discuss with us what works in their theater for their command, for their people. I think it is a very healthy dialogue within the Department. It is a dialogue that allows us to try to construct what we call our social compact, the set of understandings between us and our people as to what we offer them as they take up the significant burdens they bear for the Nation.

Senator DOLE. Again, having visited with these families just recently, something that came up often was the fact that with these repeated deployments, one thing that they want to feel certainty about is that their children are going to have a quality education in well-funded schools. My view is that if these young men and women are going into harm's way to protect our freedoms, they cer-

tainly deserve to have certainty about that, and I wonder, is the Department of Defense looking to find ways to restore the funding for impact education in the 2004 budget?

Dr. CHU. I think we are all dedicated to the same outcome, which is that each child of a military family has the opportunity for a first-class education wherever he or she may go.

On the specific issue raised, a decision was made by the Office of Management and Budget and Department of Education in submitting its budget, where those funds reside, that they would only seek funds to support impact aid for those children of families living on military posts. As you appreciate, the children of families living off military posts pay property taxes, pay taxes in local communities through the sales tax and other instruments.

This is an old issue where Congress and the executive branch have had different views over the years, I recognize. Ultimately it is going to be for Congress to decide whether you agree with the executive branch proposition in this regard, and it is ultimately a Department of Education budget issue in the end, because that is where those funds are lodged.

Senator DOLE. I think I have made it clear where I stand. Thank you.

Dr. CHU. I hear you, ma'am. Thank you.

Senator CHAMBLISS. I think we all understand and take your position, Senator Dole.

We are very pleased to be joined by—I hate to say he is an ex officio member, because as far as Senator Nelson and I are concerned, Senator Levin and Senator Warner are very official parts of this subcommittee, but Senator Warner, we are pleased to have you with us.

Senator WARNER. Thank you, Mr. Chairman.

Senator CHAMBLISS. I will be glad to turn it over to you for any questions or comments.

Senator WARNER. Thank you. I would like to take a few minutes, if I may, Senator Chambliss, Senator Nelson.

Gentlemen, the subject which I would like to address today is the Air Force Academy. You are aware that I wrote a letter to the Secretary regarding my deep and grave concern about this problem. Senator Allard joined me on that, and he has worked along with me, as Senator Ben Nighthorse Campbell has also. I have kept him informed of my views on this.

I would like to take a few minutes to talk with you about this situation, and I do so with a deep sense of humility, because I have had over 30 years of responsibility for the military academies, over 5 years in the Navy Secretariat during the war in Vietnam, and now my 25th year here in the Senate. Like my colleagues, I have taken enormous pride in working with the young people, men and women, by the hundreds that approach each Member of Congress seeking those coveted appointments, so the academies are very special to the Congress of the United States. They are symbols of recognition all throughout our Nation, not only just in the educational sector, but for the excellence and the standards that they uphold for the men and women of our respective military Services. I really wanted to ask just what participation the Secretary of Defense and

yourself are currently undertaking, and what participation you may anticipate to be taking as this investigation unfolds.

I have received a number of letters on this, and I am going to forward to the Secretary of the Air Force and the Secretary of Defense several letters which I think are quite pertinent. I would urge other Members who are receiving correspondence to likewise, within the parameters of permission of people who write to us in confidentiality, to share this information, because as a Nation, we have to come to grips with this problem.

So I draw on the experience of when I was Secretary of the Navy. When we had a major problem with any one of the academies, the three Secretaries of Defense under whom I served for that period of 5-plus years, at least two of them convened the three Service Secretaries together and said, I want a joint addressing of this problem.

Now, for example, one of the issues related to the honor codes, and a cheating scandal at another time. Those problems just happened. They are facts of life, and we did work as a team and make recommendations to the Secretary of Defense. That is just a thought that you might entertain as Secretary Rumsfeld and you look at this situation.

In no way do I suggest that the Secretary of the Air Force is not handling this thing correctly, but the other Service Secretaries have their respective academies, and I happen to know from our hearing the other day that one of the other academies is now looking into situations comparable to this. It is not of the magnitude, but comparable, and I think the policy of the Secretary of Defense with regard to this type of offense should really be uniform among the three academies.

So my first question to you is, given that the Department of the Air Force is now conducting its own investigation, and I presume the Secretary of Defense in response to my letter will entertain the Inspector General reviewing the Secretary of the Air Force investigation at some appropriate time, and he then may decide to institute his own separate investigation, so the proper steps are being taken, but was any consideration given to transferring the Superintendent and the Commandant of Cadets out of their chain of command for such period as these investigations are underway, transfer them in such a manner in no way to prejudice their rights under the Uniform Code of Military Justice, or the eventual determination as to whether or not they are in any way in part accountable for these tragic situations? Was any consideration given to that?

Dr. CHU. Senator, let me begin by agreeing with your great concern. It is a matter of great concern to the Secretary of Defense. I spoke, in fact, to Secretary Roche and General Jumper just today again about this situation and how we are approaching the very disturbing reports that have been received. I do want to say that we would welcome, consistent with whatever privacy or confidential restrictions the letters to you might impose, any information about specific situations to be communicated to us, because one of our challenges is, indeed, getting our arms completely around the situation.

We anticipate receiving both the Air Force report and the Inspector General's review before the end of this month. Obviously, we would like to receive this just as soon as we could. That will be our basis for action, and I think we do not wish to do anything that is prejudicial to anyone until that set of reports is received and, obviously, what that set of reports says, whether it gives us an understanding of what has caused this tragic situation, will determine what course of action is most appropriate to take.

Let me, if I might, personally and officially, agree with you that the academies are repositories of standards and values for the military specifically and society as a whole. The alleged conduct is unacceptable. There is no excuse for this kind of conduct, and we are determined to get to the bottom of this and to take appropriate corrective action.

Senator WARNER. So the issue of a temporary transfer out of the direct chain of command was reviewed, and you decided not to take that step, is that correct?

Dr. CHU. I think I would like to emphasize that we have considered a wide range of alternatives, that at the moment we are staying with leaving everything in place as it is while the investigation proceeds. As it concludes, which we expect it to conclude in a very short period of time, we will decide what action is appropriate.

Senator WARNER. All right. Having conducted some of these investigations myself, there is always the question of the whole framework of subordinates, not the cadets, but the subordinates in that chain of command as they are approached by the inspectors and the manner in which they feel free to reply to the inquiries by the, now the IG for the Air Force, but for the moment I would hope that you would reflect on this.

Dr. CHU. I will sir, and we appreciate the suggestion.

Senator WARNER. Now, in today's paper—this is The Washington Post as of today. Did you see page A2, male and female cadets to be separated in dorms?

Dr. CHU. I have discussed that with both General Jumper and Secretary Roche, yes, sir.

Senator WARNER. Two observations on that. First, it seems to me before you take actions like this you want to look at the totality of the reports and review them, because this is a very significant action and the other two academies will have to now examine their policies as a consequence of this step, wouldn't you think?

Dr. CHU. I think so, at least from my discussion with General Jumper, and I certainly agree with you, and that is why in general I would prefer, as I suggested, that we wait for the reports so, as you suggest, we understand fully what we have in front of us.

Senator WARNER. So in other words, your thinking is in parallel with mine that remedial actions should await the totality of the report to be examined so as to not let this situation persist and to prevent it in the future?

Dr. CHU. Yes, sir, and I think on the specific issue what General Jumper is contemplating has been a bit overdescribed in the news article. As I appreciate his description, what he would like to do is in the future think about grouping more of the women's rooms together for——

Senator WARNER. I do not need to get into those details. I just suggest that until the entire report has been reviewed, and until the action that I and others request, that the Department of Defense IG review the work of the Department of the Air Force, it would seem to me premature to take steps like this.

Dr. CHU. I agree, sir.

Senator WARNER. This article infers by the verb tense, the two leaders yesterday outlined for the first time steps they expect to take in response to, so forth and so forth—I would suggest that actions await the orderly review of these reports, because as I said from my own experience, this impacts on the other academies, which do not have this degree of separation.

As a matter of fact, with the one exception, Mr. Chairman and other members of the committee, the military Services have tried the integration of males and females throughout training periods. The only exception is one that I fully understand, having gone to Parris Island, to some extent myself, but Parris Island I think for the first initial period the males and females are separated, but elsewhere, throughout the training command of the three Services, there is pretty much a degree of integration, am I not——

Dr. CHU. Absolutely, sir, and there is no—again, I do not want to get mired in details. There is no intent here to think about changing that in any way. What is being contemplated is a change in how the dormitory arrangements are structured, a little different issue than the training arrangements. But I fully agree with you, sir, we ought to wait to take action until we have the full reports in front of us, understand the problem that we face, its causes as best we can know them, and what the preferred remedies will be.

Senator WARNER. Well, then, I conclude. I am very encouraged by your responses.

Dr. CHU. Thank you, sir.

Senator WARNER. I would say that Congress, given its unique role with regard to the academies, should be thoroughly consulted before decisions of this type should be made with respect to addressing this problem, and that you should also be prepared to respond as to how such decisions with respect to this problem with the Air Force might impact on the other two Service academies. Are we clear on that?

Dr. CHU. Agreed, sir. Thank you.

Senator WARNER. I thank the chair and I thank the ranking member. That concludes my remarks.

Senator CHAMBLISS. Thank you very much, Mr. Chairman, for your leadership on this issue and other issues relative to our military men and women, and let me just assure you that this subcommittee is going to move forward to do everything within our jurisdiction to make sure that when appointments to academies are made, that the parents of those young men and women who receive those appointments are going to take continued great comfort in knowing that they are well looked after and that these situations are going to be discontinued and are going to be taken care of.

Senator WARNER. I thank you for your leadership, Mr. Chairman, and that of your Ranking Member.

Senator CHAMBLISS. I will tell you, too, that Senator Nelson and I have already discussed the fact of having the three Service Sec-

retaries testify because even though the Air Force Academy has this problem now, we have had it at the Naval Academy. It has been public. The U.S. Military Academy also is subject to having this, and we are going to have all three of those gentlemen before us to testify.

Senator WARNER. That is the way we did it in the old days.

Senator CHAMBLISS. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman, and I also share in the concerns that Senator Warner just expressed. I have a follow-up from Senator Dole's question, and I do not know which of the three should best handle this, so I will just throw it out openly. You mentioned prescription drug costs and the high cost of prescription drugs, and in most health care plans in the private sector, that seems to be the leader in the growth cost of those plans, and I am certain that is true in the military as well, and I would like to know what you are doing.

You mentioned a systematized mail order, and then more of a systematized retail situation, and it seems to me that we as the Government and as the military have quite a bit of bargaining power when it comes to purchasing these drugs, and I would just like to hear your experience and where you think we are going with that.

Dr. CHU. Let me defer to Dr. Winkenwerder.

Dr. WINKENWERDER. I mentioned a couple of our key initiatives. There are others. One of the changes we plan to implement about this time next year will be the institution of a formulary, and with that a change in the benefit that creates three tiers: a generic choice, a brand, and then kind of a superbrand, and with that high end being the one where members would have the most cost-sharing for the most expensive drug. Those are very important initiatives.

Mass purchasing is also very important, and right now, as I alluded to, we do joint purchasing with the VA. With our large numbers and their large numbers added in together for a particular drug or drug class, we feel like we get very good deals. In fact, our prices are probably among the very best anywhere.

Senator PRYOR. Yes, I think that is true.

Dr. WINKENWERDER. We want to continue that. Our main strategies are the assimilation of a national contract for mail order retail, continuing what we think is very good cost and service in our military treatment facilities, and then the institution of a formulary and a tiered copayment system. If we get all that done within the next 14 months, we think we will have put into place the basic building blocks to better control pharmacy costs.

Senator PRYOR. Do you think some of what you are doing may work out in the private sector for general health insurance plans, or is the military organized in such a way that it just really does not transfer out to the private sector?

Dr. WINKENWERDER. Having just come from the private sector and managing a large health plan in New England, I can tell you what we are trying to do is just what most plans in the private sector, the well-run plans, are already doing, but that said, even in spite of all that they are doing, I think that they are still struggling to stay up with this issue.

Senator PRYOR. Sure.

Dr. WINKENWERDER. New drugs bring great innovations. In some cases they save lives and keep people out of hospitals.

On the other hand, where it is possible for a pharmaceutical company to place a very high price on a drug and make that work, they do and they will, and so we have a number of drugs that are very expensive today, and I think we have also learned that drug producer advertising to everybody is effective, causing people to want to go to their doctor and get a drug to treat something.

In some cases that is needed. In other cases it is probably not needed.

Senator PRYOR. Right.

Dr. WINKENWERDER. Part of our program also is to educate doctors for cost-effective prescribing and also to educate our own service members in terms of things that they can get more cheaply for the same cost or lower.

Senator PRYOR. Do you internally, with the people that access the program, push generics with them?

Dr. WINKENWERDER. Absolutely. Absolutely we do.

Senator PRYOR. Do you feel like, even with the new drugs that are coming online, that are much more expensive—some are much more expensive, not all, but for those that are much more expensive, do you still feel like you are getting the best, or about the best price you can possibly get for those?

Dr. WINKENWERDER. We are in our military treatment facilities. We have that authority in law to extend that both to our retail and the mail order, but the actual transition to using that pricing power awaits the transition of this whole program. It takes quite a lot of work to set these national contracts up, but when they go into effect, we plan to use that pricing power.

Senator PRYOR. Great. Dr. Chu, did you have something to add? It looked like you were about to say something there a minute ago.

Dr. CHU. Yes. I realize that some of this will be a change for some of our military members in terms of how we do things. We think it is necessary in order to get people the right drug for their disease problem. As Dr. Winkenwerder indicates, the advertising may sometimes lead you to something inappropriate that may have side effects that are not really the best for your particular case.

We do review—the establishment of this formula is the product of a review by our best minds in terms of what is the right drug for your problem, and I think channeling our patients into the right place is ultimately our objective, because in the end it is their health care status we care most about.

Senator PRYOR. Right. That is all I have, Mr. Chairman.

Senator CHAMBLISS. Dr. Winkenwerder, probably the most consistent complaint I get from personnel and their families when I have the opportunity to visit with them is the issue of TRICARE, and it seems that TRICARE Prime has answered a lot of the concerns that we have had since the original implementation of TRICARE, but the standard TRICARE program appears to continue to have difficulties with respect to providers, and that is primarily due to the low reimbursement rates. Can you tell us where we are going as we are looking at a point in our history now where we have so many spouses who have been deployed and separated

from their families. One concern we do not want them to have is the fact that their families are going to have access to good quality medical care. Can you tell us where we are with respect to ensuring that providers are going to be there for TRICARE Standard participants, and what are we doing with respect to reimbursement rates?

Dr. WINKENWERDER. Yes, sir. Let me just touch on again the issue that Dr. Chu raised, the change that we are implementing as of now for the reservists, because we believe this is a very important change.

Senator CHAMBLISS. Before you leave that, you said reservists. What about guardsmen?

Dr. WINKENWERDER. Guardsmen would also be covered—yes.

Dr. CHU. May I—if they are called to active duty for more than 30 days.

Dr. WINKENWERDER. Correct. If they are called to active duty for more than 30 days they are now eligible for TRICARE Prime. There was a 180-day or 179-day hurdle that people had to get over until now, so that caused that group of people to have to utilize Standard as a benefit, and now they will be able to utilize Prime, which is a better benefit in terms of its not having copayments and deductibles and so forth associated with it, so that is a real positive, we think, for the reservists and the guardsmen.

The other change relates to this, resides with, so we have had in all the call-ups, frankly maybe it is self-imposed, but we have had some confusion about what does that mean for the family, having to reside with a service member, and did that mean that they had to actually be residing with them at the mobilization site or when they got deployed somewhere.

No. What it means is, if a serviceman or servicewoman is from South Dakota and then goes to Nebraska to mobilize, they do not have to move. They are eligible right there in South Dakota, where they have been living with their family, and then they could get into TRICARE Prime at that place. That will improve things.

Now, as to the issue of TRICARE Standard, what are we doing? We do face some challenges. We have about 2.5 million people. It is an entitlement, so people have eligibility for this benefit, but one of our challenges, we do not know who those individuals are. We do not require an annual, or some kind of, enrollment into Standard. It is something they could choose to use at any time, and that poses some challenges.

There is also the challenge you mentioned of payment rates, and ensuring that the doctors who would care for these individuals are paid sufficiently. I think that was particularly a concern here recently when Medicare was looking at reducing payment rates to providers by another, whatever it was, 4.5 percent, and it ended up that a change was made to increase it slightly. We believe that helps us as well, because our payment rate is tied to Medicare, so that is a concern.

It is also a concern, without knowing who those beneficiaries are, our ability to communicate with them and make them aware of their benefits, make them aware of where doctors are located so as to ease any access to care issues that they might have.

So the bottom line is, we are going to be taking a look at that whole TRICARE Standard. I am assembling a group of people to provide a report to me that I will in turn share with you and Members of Congress about what we need to do to improve TRICARE Standard, making some changes in it that will better hit the mark.

Senator CHAMBLISS. What is your time line for that report?

Dr. WINKENWERDER. I think it is weeks to months. We are not talking next year. I have asked for this to be done promptly.

Secretary HALL. Senator, can I add one thing to that? On behalf of the Guard and Reserve, after September 11 and before I got to this job, the TRICARE demonstration project for our Guard and Reserve was implemented, and it basically said that for TRICARE Standard and Extra, what we will do for our guardsmen and reservists recalled, we will waive the family deductible part for you, the $300, we will also waive the requirement for nonavailability statements to have to go out, and third, we will provide up to 115 percent of pay to providers who are not in the system, so that greatly assisted them.

The next thing we did, not tied directly to that, but which is in effect today, upon demobilization, recognize that as guardsmen and reservists you might need some time to transition to your civilian health care plan. We allowed up to 60 days for a segment of the people to transition, for others that had served a longer time on active duty, 120 days, so that has provided a lot of flexibility for our guardsmen and reservists.

We have extended that demonstration project for the current mobilization so that our guardsmen and reservists and their families will be taken care of. That has been well-received within that community.

Dr. WINKENWERDER. Just to be clear about that, even though we have made these new changes that I described earlier for TRICARE Prime, we are going to extend the demonstration project so we do not adversely affect anyone who is now taking advantage of that demonstration project through until its end, which is in November 2003, so we implemented that last year and will continue it until it ends.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

Dr. Winkenwerder, following the conclusion of the Gulf War, many service members and veterans experienced a variety of different kinds of medical illnesses, the causes of which have really never been determined. The National Defense Authorization Act for Fiscal Year 1998 requires the Secretary of Defense to establish a system to assess the medical condition of members of the armed services, including members of the Reserve components, who were deployed outside the United States on a contingency operation.

This system is to include the use of predeployment medical examinations and the drawing of blood samples to record the medical condition of service members before their deployment, and then any changes in their medical condition during their deployment.

Does every deploying service member receive a complete predeployment medical examination at the present time?

Dr. WINKENWERDER. Every member of the armed services who is deploying should receive a health assessment. That is how we have

interpreted the law, and we believe that is the appropriate way to interpret the law. A full laying-on-the-hands physical examination, we believe, is probably not the most appropriate or most effective way to screen those individuals.

We believe—and we have a questionnaire which we are glad to share with you that we use, where people are very carefully questioned about their current health status. All questions are asked to make sure they are up to date with their immunizations, and that their blood sample has been given. If it has not been given, we would obtain it at that time.

So it is a careful review. If there is any concern on the part of the service member about a current or recent problem, he or she then would receive a more comprehensive and complete examination, and the same kind of thing is done on the back end of the deployment.

Senator BEN NELSON. Then is blood drawn on every individual in that case?

Dr. WINKENWERDER. It would have either been drawn as a matter of routine—we screen people every year, or 2 years for HIV, so that blood has already been drawn. If, again, it is out of date, then it should be drawn at that predeployment assessment time.

Senator BEN NELSON. Then I assume that sample is retained so that if there needs to be further testing in the future it is available for that type of testing.

Dr. WINKENWERDER. That is exactly right.

Senator BEN NELSON. Not just about HIV, but other——

Dr. WINKENWERDER. That is the purpose for maintaining it.

Senator BEN NELSON. What you are doing is establishing a medical baseline, and then any variation from that would be more easily chronicled as the additional tests at a later date are taken.

Dr. WINKENWERDER. That is exactly right, and that was a big problem in the Gulf War. We really did not know the baseline health status of people, so it was very difficult to compare when they came back, as to what their status had been before they left. We believe we are in a much better position today with respect to that baseline health information.

Senator BEN NELSON. Thank you, doctor.

Dr. WINKENWERDER. Thank you.

Senator BEN NELSON. Dr. Chu, in your prepared statement you describe the DOD screening program designed to preclude, attempting to preclude, conflicts between ready Reserve members' military mobilization obligations and their civilian employment, and although screening normally ceases once a mobilization is declared, you indicate that DOD has established a special exemption process to address the circumstances where certain Federal and non-Federal civilian employees were critically needed in their civilian occupations in response, for example, to the terrorist attacks on the World Trade Center and the Pentagon.

Now, obviously, this is consistent with our concerns about mobilizing first responders, the firefighters, police officers, paramedics, and others, who would be needed for home town defense in the case of a terrorist attack. Can you give us some examples of the kinds of civilian occupations that are considered for this special exemption? I have named a few, but are there some others?

Dr. CHU. Yes, sir, I would be delighted to.

First of all, let me go back, as you have suggested, to the underlying system, which has been available since 1979, and that is that you can screen your employees, designate someone as key or critical, essential—various terminology is used.

Senator BEN NELSON. That is not new.

Dr. CHU. That is not new. That has been on the books for a long time. I should acknowledge that I think some employers or employees have been a little reluctant to use that system, because it does require the individual member of the Guard or Reserve to transfer out and into an essentially inactive status. It makes it much harder to earn your 20 good years for retirement, so it does require the individual to make a choice. Are you available for mobilization, which is the basic compact between us and that member? Would you respond when the Nation calls? Or are you in a position that you cannot respond? If you cannot respond, you need to acknowledge that up front—that is the whole spirit of the system—and put yourself in a different situation.

It does not mean you can't come back to Reserve service at a later date. It does not mean you cannot take courses or do certain other things that would still accumulate you some credits.

We did recognize on September 11, 2001, this is very different from before. We want to be sensitive to those differences across the board. I have been impressed at the good sense of employers, both Federal and non-Federal, in terms of whom they ask to be excused. We have had just over 200 formal applications in that period of time.

We have granted about 50 exemptions in that period of time—granted, there has been a large number of delays. We work with each case. This is a case-by-case process, in which we understand the individual's situation, the military department's situation, et cetera, and it boils down in the end to balancing the competing needs of the Nation against the particular Federal or non-Federal agency.

If there is a compelling civil need—the key linguist at an intelligence agency, for example—we defer to that civilian need, if it really is weightier than the military need.

In many cases, what really works for a civilian organization is delay, enough time so that the organization can identify the replacement, train that person, put them in place, and continue to function. I indicated with these figures, that has been the most frequent outcome of these adjudications, and I think that system is working.

I think the concerns of first responders, while meritorious, reflect the worst case. If we mobilized the entire Selected Reserve, that would be close to 900,000 people. I do not think anyone believes we are going to those kinds of numbers. I think we do have a process that will be sensitive to local needs, should a local agency find itself with everybody gone, as the extreme situation. We are sensitive to that.

Senator BEN NELSON. It would be difficult to be home alone, so I appreciate that reaction.

Secretary HALL. Could I add just one comment to that? Of that group of people, the 209 or so that have asked for exemptions, we

have further broken that down to look at first responders and have said, how many of that group are first responders, firemen, policemen, and only about 10 percent of that group qualified. So, not a large amount of the first responders, the employers, and the individuals, have actually asked for exemptions under that authority. We wanted to take a particular look at those first responders, and it is only about 10 percent.

Senator BEN NELSON. We could be in a situation, though, where they would not ask for the exemption, and you could create a critical shortage back in the home town because of the number of firefighters and/or police officers who are also part of the Guard, or other first responders.

Dr. CHU. I think, sir, that requires us—and we are proposing to take that step to make it mandatory that you tell us who your employer is. Under current law, we cannot mandate that information. It is not so we go back to the employer and check up on you. It is so that we can understand exactly what you propose, what is the dimension of the issue, do we need to take any special steps in this regard, do we need to guard against any untoward outcomes? We would look forward to this subcommittee's support for that proposal, because I think it is critical to managing this issue going forward.

But we are very comfortable with where we are. We think we have good safeguards in place. We think we will be careful about any unfortunate outcome as some fear.

Senator BEN NELSON. Thank you. Thank you, Mr. Chairman.

Senator CHAMBLISS. Mr. Pryor, do you have anything else?

Senator PRYOR. I do not, thank you.

Senator CHAMBLISS. All right, gentlemen. We appreciate your testimony before this subcommittee, and we thank you and look forward to continuing to work with you.

Dr. CHU. Thank you, Mr. Chairman.

Senator CHAMBLISS. I would like to welcome our next panel, which consists of the personnel chiefs of our respective military Services. With us today is Lieutenant General John Le Moyne, United States Army, Deputy Chief of Staff for Personnel; Vice Admiral Gerald Hoewing, United States Navy, Chief of Naval Personnel; Lieutenant General Garry Parks, United States Marine Corps, Deputy Chief of Staff for Manpower and Reserve Affairs; and Lieutenant General Richard Brown, United States Air Force, Deputy Chief of Staff for Personnel. Thank you all for being here.

We have received your written statements. They will be incorporated into the record. We look forward to your testimony today, and we would appreciate a brief summary of any comments you want to make. General Le Moyne, we will start with you.

STATEMENT OF LT. GEN. JOHN M. LE MOYNE, USA, DEPUTY CHIEF OF STAFF FOR PERSONNEL, UNITED STATES ARMY

General LE MOYNE. Mr. Chairman, thank you very much, Senator Nelson, sir, it was good to see you this morning. Sir, nice to see you here also. Thank you for this opportunity to give you an update on America's Army, and I would ask that you do accept my written statement for the record, and let me start, sir, by express-

ing our thanks to you for your assistance in the major successes in the human resource environment of your Army this past year.

Right now, sir, you have over 198,000 soldiers deployed in forward stations in 120 countries. Soldiers from both the active and Reserve components remain on point for our Nation, and let me assure you, sir, that they are committed, they are disciplined, and they are focused on the mission that is at hand.

Today's threats to security and our commitments throughout the world highlight the critical importance of manning our forces. This manning begins with recruiting. We have been very successful in the past 3 years in both numbers and the quality of our new soldiers. In addition, our retention goals in all categories reflect the same success.

This year, for the fourth year in a row, we are on track to fulfill both the accession mission and our retention goal. At the same time, our attrition rates continue to show improvements, and officer attrition is at the lowest in over 15 years.

Sir, the Army appreciates Congress' continued support for our soldiers and our families. Survey after survey reflects the positive aspects of the congressional initiatives to increase our military pay, benefits, and the efforts to improve the overall well-being of our soldiers and their families. These increases not only improve quality of life and retention, but greatly embrace our recruiting effort by making us more competitive with the private sector. Recruiting will continue to be our first priority for manning the force in the future.

The resources, sir, that you have provided to the Army for these missions are some of the most important reasons for our recent successes. In the past, when manpower programs were successful, resources were cut to the point of hurting manning efforts. Together, sir, we need to avoid this pitfall, and carefully manage our resources to ensure the long-term continued success of our volunteer force.

Sir, the Army is proud of our progress, we are grateful for the strong congressional support that you have given us to help us offer these opportunities for America's youth. We ask for your continued support and assistance as we demonstrate our commitment to fulfilling the manpower needs of the Army, active, Guard, Reserve, Department of the Army civilians, and our retirees.

Sir, thank you for the opportunity to appear before you today. I look forward to your questions.

[The prepared statement of General Le Moyne follows:]

PREPARED STATEMENT BY LT. GEN. JOHN M. LE MOYNE, USA

Mr. Chairman and distinguished members of the subcommittee, on behalf of the men and women of the United States Army, thank you for this opportunity to appear before this subcommittee today to give you a military personnel overview of America's Army. I would like to start by publicly expressing our thanks for your support and assistance in the major successes and achievements in the human resources environment this past year.

Since before the birth of the Nation, American soldiers have instilled hope in a noble dream of liberty. Magnificent in their selfless service, long in their sense of duty, and deep in their commitment to honor, soldiers have kept the United States the land of the free and the home of the brave. This is our legacy. While helping to fight the global war on terrorism, the Army is in the midst of a profound transformation. Personnel transformation remains our constant imperative—today, tomorrow, and for the future.

After 3½ years of undiminished support from the administration and Congress, and the incredible dedication of soldiers and Department of the Army civilians, we have begun to deliver the Army's Vision. With continued strong support, we will win the war against global terrorism, meet our obligations to our friends and allies, remain ready to prevail over the unpredictable, and transform ourselves for decisive victories on future battlefields.

Today, more than 198,000 soldiers remain deployed and forward stationed in 120 countries around the globe, conducting operations and training with our friends and allies. Soldiers from both the active and the Reserve component have remained "on point" for the Nation.

END STRENGTH

While the congressionally-mandated fiscal year 2002 active Army end strength was 480,000, the Army exceeded this end strength target, as well as the budgeted average strength of 474,000 manyears. The Army finished fiscal year 2002 with an end strength of 486,543 (78,158 officers, 404,305 enlisted, and 4,080 cadets). Stop loss accounted for 2,217 of the total fiscal year 2002 end strength. Our average strength was 482,733 manyears. Stop loss accounted for 827 of the total fiscal year 2002 manyears. The Army recruited 79,585 new soldiers and met its accession quality marks. The Army exceeded its retention goals by 1,437 for initial term, mid career, and career categories and 2,961 for end term of service category.

RECRUITING

Today's threats to security and military commitments throughout the world highlight the critical importance of manning our Army, which begins with recruiting. The Army continues to recruit in a tough environment. The private and public sectors, to include post-secondary educational institutions, are all vying for high quality men and women. Additionally, the propensity of America's youth to enlist is at one of the lowest levels since we started measuring. Despite these challenges, Army recruiting was extremely successful for the past 3 years. The resources provided to the Army for this important mission are some of the most important reasons for our recent success. In the past when recruiting was successful, resources were diminished to the point of hurting the recruiting effort. Together we need to avoid this pitfall and manage the resources to ensure continued success and economy of resources. Recruiting will continue to be our first priority for manning the force.

The Army's recruiting requirements are developed from projected needs based on a steady state of 480,000 soldiers. Even with the slowing economy, youth unemployment remains relatively steady. This makes for a very tight labor market. The Army must recruit far more than any other Service. To make this possible, the Army must continue to be equipped and resourced to succeed in this task. Properly resourced, the Army will meet its recruiting goals.

For the third year in a row, the Army made mission and met or exceeded all three DOD quality goals in fiscal year 2002 with 91.1 percent having a High School Diploma, 68.0 percent scoring in the top 50th percentile on the Armed Forces Qualification Test (categories I–IIIA) and only 1.4 percent scoring in category IV (26th to 30th percentile).

To fulfill the fiscal year 2003 enlisted accession mission, the active component must write 71,200 net contracts to cover the 73,800 accession requirements and build an adequate Delayed Entry Program (DEP) of 35 percent to start fiscal year 2004. The lower contract requirement is because we had a large DEP going into this year and we want to accomplish that again. The Army Reserve must access 42,400, and the Army National Guard 62,000. We are on track to meet our goals. We are fully engaged to meet this year's accession missions and believe we can accomplish all three components' missions.

We are implementing initiatives to expand the recruiting market in cost effective ways, without degrading the quality of the force. Hispanics are underrepresented in the Army relative to their share of the U.S. population. We made efforts through marketing and our recruiters to expand this market and have seen improvement. Enlistments from the Hispanic population increased from 9.1 percent of the Army in fiscal year 2000 to 9.7 percent in fiscal year 2001 and 11.5 percent in fiscal year 2002.

We implemented the "College First" test program to further increase our recruitment from the bound-for college market. As of 13 February 2003, 1,393 college students contracted to enlist in the Army after they finish college through this program. You granted us changes to the College First program for fiscal year 2003 that will improve the test and the ability to determine expansion to the bound-for college market.

You gave us the opportunity to provide a 15-month enlistment option as part of the National Call to Service. We look forward to executing this program in fiscal year 2004 to help penetrate new markets and increase the participation of prior-service soldiers in the Reserves and provide motivated young men and women for continued volunteer service to our Nation. We will target this enlistment option at the college and quality markets. This option will be offered to 24 of our military occupational skills.

Additionally, you directed us to conduct a test of contract recruiters replacing active duty recruiters in 100 recruiting companies. The Army is implementing this initiative. The 10 companies are on mission and will run the full test from fiscal year 2003 through fiscal year 2007.

We have awarded this pilot program to two independent contractors each receiving contracts to perform the full complement of recruiting services, including prospecting, selling, and pre-qualifying prospective applicants for the Regular Army and Army Reserve, and ensuring that contracted applicants ship to their initial entry training. We estimate it will take at least 18 months of production evaluation to make an accurate assessment on the effectiveness of this program.

The Army placed 300 Corporal Recruiters on recruiting duty in 1999 and this program has brought a total number of on-production recruits to 6,161. This program has proven effective by using young leaders to recruit young soldiers. The Special Forces Candidate "Off the Street" Enlistment Initiative will continue its highly successful program in fiscal year 2003. This effort seeks to enlist motivated, highly qualified, and dedicated individuals desiring the adventure and mission focus inherent in the U.S. Army Special Operations Forces. In fiscal year 2002, the Army exceeded its assigned mission of 400 applicants, enlisting 465 candidates. Capitalizing on the success of this program, the fiscal year 2003 mission has increased to 600.

Army University Access Online offers soldiers access to a variety of on-line, post-secondary programs and related educational services. Hyperlink "http://www.eArmy.U.com" *www.eArmyU.com* is a comprehensive web-portal widely accessible to soldiers, including those in Afghanistan, Bosnia, and Kuwait.

Competition for America's young people is intense. The enlistment incentives we offer appeal to the dominant buying motive of young people and allow us to fill the skills most critical to our needs at the time we need them most. The flexibility and improvements you provided to our incentives in the past have helped us turn the corner regarding recruiting.

Last year we achieved 99.9 percent MOS accuracy, which was significantly better than any previous year. The combination of all incentives will help fill critical specialties as the Army continues its personnel transformation. The combined Montgomery GI Bill and Army College Fund, along with the Army's partnership with education, remain excellent programs for Army recruiting and an investment in America's future. While the actions we have taken will help alleviate some of the recruiting difficulties, we also know more work has to be done to meet future missions. We must continue to improve the recruiting efforts from developing a stable, robust resourcing plan to improving our core business practices. We must capitalize on the dramatic improvements in technology from the Internet to telecommunications and software. We must improve our marketing and advertising by adopting the industry's best business practices and seeking the most efficient use of our advertising dollars. As we improve our efficiency, we are able to reduce the size of our recruiting force and return seasoned soldiers to other parts of the Army that need their skills and leadership. We are in the first year of a 3-year plan of reducing Army recruiters by 1,166 positions.

Business practices, incentives and advertising are a part of recruiting, but our most valuable resource is our recruiters. Day in and day out, our Army recruiters are in the small towns and big cities of America and overseas, reaching out to young men and women, telling them the Army story. We have always selected our best soldiers to be recruiters and will continue to do so. These soldiers have a demanding mission. We owe it to these recruiters and their families to provide them the resources, training, and quality of life that will enable them to succeed.

The Army appreciates Congress's continued support for its recruiting programs and for improving the well-being of our recruiting force. We are grateful for recent congressional initiatives to increase military pay and benefits and improve the overall well-being of our soldiers. We believe these increases will not only improve quality of life and retention, but will greatly enhance our recruiting effort, making us more competitive with private sector employers.

ENLISTED RETENTION

The Army's retention program continues to succeed in a demanding environment. Our program is focused on sustaining a trained and ready force. Our retention efforts demand careful management to ensure that the right skills and grades are retained at sufficient levels that keep the Army ready to fulfill its worldwide commitments. Our selective retention budget, though significantly reduced in fiscal year 2003, continues to provide this advantage, which ensures a robust and healthy retention program.

Over the past decade, retention has played an essential role in sustaining manning levels necessary to support our force requirements. This past year was an excellent example of the delicate balance between our recruiting and retention efforts. Through a concerted effort by the Department of the Army, field commanders and career counselors, the Army not only achieved it's fiscal year 2002 recruiting mission, but finished the year by retaining 1437 soldiers above mission for a reenlistment percentage of 102.5 percent. Our Reserve component transition results in fiscal year 2002 were equally successful. We transferred 9,545 active component soldiers into Reserve component (RC) units against a mission of 9,500 for a 100.4 percent success rate.

This year's retention mission of 54,000 soldiers requires us to retain 67 percent of all separating soldiers. Although the annual mission is less than the 56,000 soldiers who reenlisted last year, the decreasing separating soldier population will make the annual mission just as difficult.

At the heart of our retention mission, we concentrate efforts on our first-term and mid-career soldiers. The foundation for the career force is built upon these two mission categories. Retention decisions are influenced in significantly different ways between these two groups. First-term soldiers cite educational opportunities and availability of civilian employment as reasons for remaining in the Army or separating. Mid-career soldiers are affected more by health care, housing, compensation, and availability of commissary, exchange, and other post facilities. Consistent with these influencing factors, a higher percentage of mid-career soldiers are married, although the number of married first-term soldiers continues to increase. We closely monitor both groups for change in reenlistment behaviors, as they are the keys to continuing a successful retention program. Our results tell their own positive story. First-term retention rates during fiscal year 2000, fiscal year 2001, and fiscal year 2002 exceeded the 52 percent historic achievement levels. Mid-careerists are staying at a roughly 78 percent rate, again well above early to mid-1990s pre-draw down levels. At the senior end of the spectrum, 98 percent of all non-retirement-eligible career soldiers continue to Stay Army.

The ultimate success of our retention program is dependent on many internal and external factors. External factors beyond our ability to influence include: the economy, the overall job market, and the world situation. While the economy has not been the strongest, our soldiers continue to be highly marketable. The global war on terrorism and other missions are also key factors. We are well aware that these factors play heavily on the minds of soldiers when it comes time to make reenlistment decisions. Our force today is increasingly family oriented. Our current Army is 52 percent married. Army spouses are equally affected by these external factors and have great influence over reenlistment decisions.

The internal factors that we can influence include: benefit packages, promotions, the number of deployments, adequate housing, responsive and accessible health care, attractive incentive packages, and reenlistment bonuses. Not all soldiers react the same to these factors. These factors challenge our commanders and their retention non-commissioned officers (NCOs) to provide incentives to qualified soldiers that encourage them to remain as part of our Army. In order to address the total spectrum of soldier and family member needs, our incentive programs provide both monetary and non-monetary inducements to qualified soldiers looking to reenlist. These programs include: the Selective Reenlistment Bonus, or SRB, offers money to eligible soldiers, primarily in the grades of Specialist and Sergeant, to reenlist in skills that are critically short or that require exceptional management. The Targeted Selective Reenlistment Bonus program, or TSRB, is a sub-program of the SRB that focuses on 11 installations within the continental United States and Korea where pockets of shortages have historically existed in certain military occupational specialties (MOS). The TSRB pays a reenlisting soldier a higher amount of money to stay on station at a location in the program or to accept an option to move. The Critical Skills Retention Bonus or CSRB offers soldiers in critical MOS a bonus at 18 to 24 years of service. The CSRB pays a lump sum bonus to career soldiers serving in MOS that have projected shortages and low continuation rates. Special Forces Sergeants First Class and Master Sergeants are currently receiving the CSRB. This

program has experienced great success and has significantly benefited our Special Forces soldiers who are on the front line in the war on terrorism.

All of these programs, paid from the same limited budget, play key roles in force alignment efforts to overcome or prevent present shortfalls of mid-grade and senior NCOs that would negatively affect operational readiness of our force. We have used the SRB/CSRB program with tremendous success to increase reenlistments in such critical specialties such as Infantry, Armor, Special Forces, Intelligence, Communications, Maintenance, and Foreign Languages.

Non-monetary reenlistment incentives also play an important role in attracting and retaining the right soldiers. We continue to offer assignment options such as current station stabilization, overseas tours, and CONUS station of choice. Training and retraining options offer qualified soldiers yet another alternative incentive to reenlist. By careful management of both the monetary and non-monetary incentive programs, we have achieved a cost-effective program that has proven itself in sustaining the Army's career force.

The Army's retention program today is healthy. Well into the 2nd quarter of fiscal year 2003, we have reenlisted 105 percent of our year-to-date mission and are on track to make the 54,000-reenlistment mission required to sustain a 480,000 soldier Army. We likewise expect to exceed our RC transition mission again this year. In fiscal year 2003 year-to-date, we have transferred 3,008 soldiers into RC units against a mission of 2,766 for a rate of 109 percent. The Army is retaining the best qualified, and correct number of, soldiers necessary to maintain the highest levels of readiness that we have ever experienced. This is due in large part to the great support from Congress to protect existing incentive programs, and the continued involvement of Army leaders at all levels.

OFFICER RETENTION

The Army today has the lowest officer attrition rate since 1997. It is anticipated that the Army will finish fiscal year 2003 above our officer budgeted end strength of 77,800. Retention in all Army Competitive Category (ACC) officer ranks, from lieutenant to colonel, improved in fiscal year 2002. Specifically, the ACC captain due-course loss rate was 11 percent in fiscal year 2002. This represents a significant reduction over the captain due-course loss rate of 12.5 percent in fiscal year 2001 and a return to the 11 percent loss rate in fiscal year 1999. This results in an overall company grade loss rate improvement from 8.1 percent in fiscal year 2001 to 6.5 percent in fiscal year 2002. Over the same period the major loss rate fell from 3.4 percent to 2.7 percent, the lieutenant colonel loss rate fell from 14.1 percent to 10.8 percent and the colonel loss rate fell from 19.0 percent to 15.9 percent. While the inventory of company grade officers exceeds requirements, minor shortages still remain at the field grade ranks.

The Army has successfully used increased accessions and enhanced promotion rates to maintain manning levels and overcome the impact of under-accessed cohorts during the draw down years. The Army steadily increased basic branch accessions beginning in fiscal year 2000 with 4,000, capping at 4,500 in fiscal year 2003, to build a sustainable inventory to support captain requirements. The Army has been promoting to captain at or above the DOPMA goal of 90 percent since fiscal year 1995. Higher than DOPMA promotion rates will continue for the next 2 to 4 years depending on attrition behavior.

Army initiatives to improve retention among its warrant officer AH64 (Apache) pilot population have stabilized attrition trends resulting in an attrition reduction from 12.9 percent in fiscal year 1997 to 7.5 percent in fiscal year 2002. Since fiscal year 1999 we have offered Aviation Continuation Pay to 1,765 eligible warrant officers, of which 1,590 accepted (90 percent take rate). Additionally, we have recalled 272 warrant officer pilots since 1997, and have five Apache pilots serving on active duty in selective continuation status. The Warrant Officer Corps is healthy in the aggregate with inventory slightly exceeding the budgeted end strength of 11,800.

LEADERSHIP/TRAINING

The Army is a profession—the Profession of Arms. The development of each member of the Army is the foundation of lifelong devotion to duty—while in uniform and upon returning to the civilian sector. Profession of Arms must remain firmly grounded in constitutional values and constantly change to preserve its competitive advantage in an evolving strategic environment. At all levels, our military and civilian leaders—must apply their professional knowledge in increasingly varied and unique situations that are characteristic of today's strategic environment. Ultimately, we must grow professional Army leaders who provide judgments founded on

long experience and proven professional expertise. This capacity is developed only through a lifetime of education and dedicated service—in peace and in war.

Soldiers serve the Nation with the full realization that their duty may require them to make the supreme sacrifice for others among their ranks. Soldiers fighting the war on terrorism today, those who will fight our future wars, and those who have fought in our past wars are professional soldiers and a precious national asset. To ensure we remain the greatest land power in the world defending our Nation, the Army and the Nation rely upon our soldiers' unique and hard-earned experiences and skills. To develop the operational skills required to defend the Nation, training must remain our number one priority.

The evolving strategic environment, the gravity of our responsibilities, and the broad range of tasks the Army performs require us to review and update the way we educate, train, and grow professional warfighters. The Army's strategic responsibilities to the Nation and Combatant Commanders now embrace a wider range of missions. Those missions present our leaders with even greater challenges than previously experienced. Therefore, leader development is the lifeblood of the profession. It is the deliberate, progressive, and continuous process that trains and grows soldiers and civilians into competent, confident, self-aware, and decisive leaders prepared for the challenges of the 21st century in combined arms, joint, multinational, and interagency operations.

In June 2000, we convened the Army Training and Leader Development Panel (ATLDP) to assess the ability of current training and leader development systems and policies to enhance these required skills of soldiers and civilian leaders. In May 2001, the Army Training and Leader Development Panel Phase I (Officer Study) identified strategic imperatives and recommendations. From those, we validated the requirement to transform our Officer Education System (OES)—from the Officer Basic Course through the Command and General Staff Officer Course. Additionally, the panel reconfirmed the value of Joint Professional Military Education II (JPME II) in preparing our leaders for joint assignments.

ATLDP Phase I (Officer Study) identified three high-payoff institutional training and education initiatives for lieutenants, captains, and majors. The first of these is the Basic Officer Leader Course (BOLC). BOLC will provide a tough, standardized, graduate-level, small-unit leadership experience for newly commissioned officers. The second of these initiatives is the Combined Arms Staff Course (CASC) for staff officers, and the Combined Arms Battle Command Course (CABCC) for company commanders. Both courses will capitalize on advanced distributed learning and intensive resident training methods. The third initiative, Intermediate Level Education (ILE), will provide all majors with the same common core of operational instruction, and it will provide additional educational opportunities that are tailored to the officer's specific career field, branch, or functional area. Beyond ILE, Army officers continue to attend Joint or Senior Service Colleges to develop leader skills and knowledge appropriate to the operational and strategic levels of the profession.

Completed in May 2002, the ATLDP Phase II (NCO Study) resulted in findings and recommendations—Army culture, NCO Education Systems (NCOES), training, systems approach to training, training and leader development model, and lifelong learning. Among others, the ATLDP Phase II recommended building new training and leader development tools for NCOs to replace current methods, as required. The ATLDP Phase III (Warrant Officer Study) culminated with recommendations to clarify the warrant officer's unique role in the Army and improve the Warrant Officer Education System (WOES) to ensure timely training and promotion.

The Army Civilian Study is Phase IV of the largest self-assessment ever done by the Army. Completed in January 2003, the Army Civilian Study panel's purpose was to identify training and leader development requirements for current and future Army civilians. The panel emphasized Army civilians are part of the total force—active, Reserve, Guard, retirees, and family members—and serve to support soldiers. The study concludes that growing civilian leaders has fallen short of the Army Plan that states the Army requirement with respect to people is to "Train soldiers and civilians to grow them into leaders through training and leader development programs." The study also concludes that Army policies are out of balance with the expectations of Army civilians. It believes that the future environment, in which Army civilians will operate, will require a higher level of adaptability and self-awareness.

The study culminated with recommendations and imperatives surrounding accountability—we need to make developing civilians a high priority, tie personal and professional and job performance together, accomplish this study's recommendations, and evaluate their effectiveness. Lifelong Learning—make it the standard, revamp career management with "gates" for progression, and build an effective Civilian Education System (CES). Interpersonal Skills—acknowledge they are pivotal to leader competence, teach them, and select leaders that exhibit them. Army Cul-

ture—integrate civilians fully into the Army culture—recognizing differences but embracing commitment to our national defense mission.

The study highlighted five recommendations, which the panel said were especially significant: first, make Army civilian training, education and leader development a priority; second, integrate civilian and military individual training, education, and development where and when appropriate; third, improve the relationship among the four Army cohorts (officer, noncommissioned officer, warrant officer, civilian); fourth, create a training and development paradigm that incorporates lifelong learning; and last, make interpersonal skills development a priority.

The Panel completed Phase I (Officer Study) in May 2001, Phase II (NCO Study) in May 2002, and Phase III (Warrant Officer Study) in July 2002. The Army instituted a management process under the proponency of the Army G3 to determine the feasibility, suitability, and acceptability of the recommendations. The Army integrated the recommendations into its Transformation Campaign Plan and has implemented a number of the recommendations and developed actions, decisions and resources required to implement the others.

The ATLDP will conclude its mission by developing a final report on training and leader development for the Army that fosters battlefield and operational success and develops our operational commanders and leaders to meet the demands of our National Military Strategy.

PERSTEMPO

To meet the demands of the current national emergency, the Army has experienced substantial increases in Personnel Tempo (PERSTEMPO). By necessity, due to global operational commitments, soldier deployments and Reserve component mobilizations have combined to increase the turbulence and uncertainty felt by soldiers and their families who serve our Nation. In defense of our Nation, soldiers in all components are being tasked to spend significant time away from home, for missions both foreign and domestic. We have not yet turned the tide in the upward spiral of these requirements, but wish to assure you that the Army is doing what it can to track and monitor deployments at the individual soldier level.

The Army employs various measures to actively manage and minimize the effects of PERSTEMPO and coordinates with OSD to manage force requirements. The Army seeks to reduce PERSTEMPO by rotating units, by selectively using Reserve component forces, and through a post-deployment stabilization policy. The Army endeavors to manage contingency operations requirements through global sourcing, as well as through use of career and contract civilians where feasible.

We considered the effects of PERSTEMPO and implemented tracking and reporting the number of days a soldier is deployed in fiscal year 2000. The statutes surrounding PERSTEMPO for tracking, reporting and payment procedures were imposed to encourage the Services to reduce, where possible, excessive individual deployments vice payment of an entitlement for the soldier. The Army places priority on our mission requirements over the high deployment per-diem and will not compromise readiness nor unit cohesion to avoid future potential high deployment per diem payments. Army deployments will continue based on the needs of the Nation, the Army and the best interest of the soldier, in that order. The Army has a duty to comply with PERSTEMPO requirements and to manage them for the welfare of our soldiers, their families and the future of the Army.

The Army will continue to manage deployments with an emphasis on maintaining readiness, unit integrity, and cohesion while meeting operational requirements.

STOP LOSS

The present national emergency warrants that certain soldier skills are essential to the national security of the United States under the provisions of 10 U.S.C. 12305. Selected soldier skills and officer/warrant officer specialties will be retained on active duty and will not otherwise be separated or retired. Those affected by the order cannot retire or leave the Service as long as Reserves with those same skills are called to active duty or until otherwise released by proper authority.

On 30 November 2001, the Assistant Secretary of the Army for Manpower and Reserve Affairs (ASA (M&RA)) approved a limited stop loss for soldiers of the active Army (Stop Loss 1). On 27 December 2001, the ASA (M&RA) expanded Stop Loss 1 to include the Ready Reserve and additional skills and specialties for both the active Army and the Ready Reserve (Stop Loss 2). On 8 February 2002, a third increment of stop loss was approved to include additional skills and specialties for both the active Army and the Ready Reserve (Stop Loss 3). On 4 June 2002, the ASA (M&RA) approved partially lifting stop loss for skills and specialties affected by Stop Loss 1–3, and approved a fourth increment of stop loss to include additional skills

and specialties for both the active Army and the Ready Reserve (Stop Loss 4). Stop Loss 4 ensured a zero sum gain against fiscal year 2002 end strength. Active component soldiers who have completed their obligation under the Army's 12-month, skilled-based stop loss will not be subject to this new stop loss (soldiers however, will be given the choice to continue serving). Active component (AC) unit stop loss, for selected forces that deploy in support of operations in the CENTCOM AOR, was approved on 14 February 2003. Potential impact to fiscal year 2003 Army end strength if this stop loss initiative is approved ranges from 492.7K to 504.6K (2.7 percent to 5 percent over 480K end strength). Partial Lift #3 is for the MP Corps.

The global war on terrorism is projected to take years to successfully complete. Stop loss was not designed to preclude soldiers from voluntarily separating for an indefinite period of time. The time has come to provide soldiers affected by stop loss more predictability on when it will be lifted.

STOP MOVE

Stop move for selected AC units supporting operations in the CENTCOM AOR was announced 22 December 2002. Units in support of Operations Enduring Freedom (OEF) or Noble Eagle (ONE) are currently not affected by stop move. The intent of the Army's stop move program is to maintain personnel operating strengths, readiness, and cohesion for deploying units, while ensuring we do not deplete the rest of the Army (i.e., Korea) effective 21 December 2002. Soldiers in deploying units with PCS report dates between 31 Dec 02 and 28 Feb 03 continued to PCS while enlisted soldiers with report dates of 1 Mar 03 or later will deploy with the a unit. Officers and warrant officers with report dates between 1 Mar and 31 May 03 will be initially deferred for 90 days; additional deferrals and modifications for these officers with report dates 1 Jun 03 or later may be made pursuant to future operational assessment.

Stop move will affect Korea through the Involuntarily Foreign Service Tour Extensions (IFSTE) for up to approximately 2,900 soldiers in Korea for 90 days beyond DEROS. Soldiers involuntarily extended will not be further extended for operational reasons or be required to meet service remaining requirements for PCS back to CONUS. Soldiers who would undergo undue hardship because of short-notice IFSTE (e.g., already shipped HHG, started terminal leave, or moved family members) are also exempt.

UNIT MANNING

Unit manning seeks to synchronize the life cycle of a unit with the life cycle of the soldier within that unit. Soldiers and leaders will be stabilized, resulting in a significant increase in cohesion and combat readiness over our present individual replacement system. Such a system has significant second and third order effects across the force—training and leader development, recruiting and retention, unit readiness levels, and total Army end strength, among others. All of these systems are being studied intensively.

The objective of our manning strategy is to ensure we have the right people in the right places to fully capitalize on their warfighting expertise. Correctly manning our units is vital to assuring that we fulfill our missions as a strategic element of national policy; it enhances predictability for our people; and it ensures that leaders have the people necessary to perform their assigned tasks. In fiscal year 2000, we implemented a strategy to man our forces to 100 percent of authorized strength, starting with divisional combat units. The program expanded in fiscal year 2001 and fiscal year 2002 to include early deploying units. Fiscal year 2002 represented the third year of implementation for the Army manning strategy and we have maintained our manning goals and continued to fill our Divisions, Armored Cavalry Regiments, and selected Early Deploying Units to 100 percent in the aggregate, with a 93–95 percent skill and grade-band match. We remain on target to accomplish our long-term goal of filling all Army units to 100 percent of authorized strength. Our manning initiatives have filled our line divisions and other early deploying units to reduce the internal turbulence of partially filled formations and help put a measure of predictability back into the lives of our families.

PERSONNEL TRANSFORMATION

At war and transforming, the Army is accelerating change to harness the power of new technologies, different organizations, and revitalized leader development initiatives that enable flexible, cost effective personnel policies for reshaping the Interim and the Objective Force for 2015.

To accomplish this, we must transform our current personnel systems to meet the Army's vision of being more strategically responsive across the full spectrum of mili-

tary operations. While the Army's eight Personnel Life Cycle functions (acquire, distribute, develop, deploy, compensate, sustain, transition, and structure) do not change under the Army vision, how we do them does change as we migrate legacy systems to web-based technology.

New capabilities under Army eHR will include paperless electronic workflow, digital signature, passive personnel tracking, predictive analytics, unobtrusive record keeping, and a variety of on-line services. Overall customer service to the soldier, staff officer, and commander on the battlefield will be significantly more timely and accurate.

In preparation for the Objective Force, and with the infusion of enterprise commercial off-the-shelf (COTS) technology, a complete realignment of the personnel structure and workforce is well underway. Implementing new technology is absolutely key therefore we must invest in HR systems through fiscal year 2005. This will enable the reshaping of personnel units to become more responsive to the needs of commanders from a smaller footprint in the battle space.

As the integrating framework, five personnel transformation themes synchronize the personnel life cycles to form the sync matrix for concept development, decision-making, and resourcing. These five themes are Personnel Enterprise System, which forms the operational infrastructure and the knowledge architecture, which is the vehicle for revolutionizing the delivery of personnel services to soldiers and commanders and enhancing operational readiness. The resulting capabilities include on-line services, transactional capabilities, and analytical decision support with accurate and timely data. Second, Manning is the key and essential part of readiness. Our plan is to man the future force employing a Rotational Unit Manning concept. A major change in the way we do business is necessary given a dramatic increase in deployments, the global war on terrorism, coupled with the fielding of an increasingly complex force. Significant changes in how we structure, recruit, manage our personnel, develop soldiers and leaders must be reconsidered to create degrees of freedom currently resident in the individual, equity based personnel system. Third, Force Structure changes are already underway, especially in the personnel community's workforce and organizations. From HQDA to unit level, a variety of multi-functional units are being structured and redesigned to meet the future needs of the Army. Fourth, Training and Leader Development must be mutually supportive. We will work diligently to develop policies that meet the readiness goals inherent in unit manning while at the same time support the professional development needs of our Army and our people. Fifth, Well-Being is key to both individual and unit readiness. It is also critical to sustainment of our Army of today as well as that of the Objective Force. More specifically, it is an integrated system that: recognizes the institutional needs of the Army; designed and resourced to successfully account for the dynamic nature of the Army's operational challenges; maximizes outcomes such as performance, readiness, retention, and recruiting; and contributes to an institutional strength that enables the Army to accomplish its full spectrum mission.

Our efforts in transforming the Army's personnel system are progressing. To date, we have successfully used technology to webify or digitize various personnel systems (i.e. OMPF On-Line and 2X Citizen, PERSCOM Online, PERSTEMPO, automated selection boards, etc.). Working together with all components, we are confident that when the Army gets to the Objective Force in 2015, the personnel and pay communities will be transformed and ready. One of the five personnel enterprise systems, Unit Manning deserves additional attention as a significant factor of personnel transformation.

WELL-BEING

Well-Being is the Strategic Human Capital Management System for the Army. When applied at every level of leadership, this system provides the focus for balancing the needs of the Army and the expectations of our people—soldiers, retirees, veterans, DA civilians, and their families. Well-Being is oriented on developing strategic outcomes within the human dimension, and measuring progress and results in achieving those strategic ends.

To measure these results, the Army designed a Well-Being Status Report (WBSR). The WBSR serves as a feedback mechanism designed to track the current and future status of Well-Being as it impacts the personnel dimension of readiness, enabling the senior leadership of the Army to make informed decisions.

The Army is testing the concept at five locations for an entire year (June 2002 to May 2003). Additionally, the National Guard Bureau has funded a Well-Being laboratory site to explore methods to improve the effective delivery and receipt of Well-Being services and products to guardsmen, civilians, and their family members. The NGB site is scheduled to stand up the first week of April 2003.

Well-Being initiatives over fiscal year 2002 have resulted in the largest pay raise for soldiers in a generation, as well as a 4.6 percent pay raise for civilians. There was an 18 percent increase in military construction for new barracks, family housing and medical facilities. The medical component of Well-Being resulted in full funding for TRICARE military health care—a $6 billion increase over the past year. Included in this initiative is TRACARE for Life for Medicare-eligible uniformed services retirees, family members and survivors. Well-Being's impact on our Reserve and National Guard constituents resulted in improved pay, benefits and quality-of-life initiatives for Reserve component soldiers and their families, such as TRICARE eligibility for the military sponsor beginning on the effective date of their orders to active duty. For those soldiers ordered to active duty for more than 30 consecutive days, their families are eligible for health care under TRACARE Standard or TRICARE extra.

Given the competing demands for limited resources we must ensure the Well-Being of the force by making informed decisions about which Army Organizational Life Cycle functions provides largest "payoff", in terms of Well-Being of its people, while achieving the tasks to assess, recruit, train, retain and meet the Army's mission. Well-Being allows the Army leadership to focus the application of resources with a measurable result.

RETIREE/SURVIVOR SUPPORT

Our Army retirees and their families are highly valued partners with our active duty and Reserve component soldiers. Their rich legacy of sacrifice and service inspires today's soldiers. Many continue to serve America in a wide variety of positions both in and out of government and are a strong bridge between the Army and their communities.

The Army remains committed to insuring that retirees and their families, as well as soldiers and families about to retire are well provided for. Insuring that health care systems remain robust for those who have borne the brunt of battle continues to be a major goal. The Army is very appreciative of recent congressional support in this arena and hopes that congressional commitment never wanes. Likewise, it's very important to insure that surviving family members of retirees, as well as soldiers who die on active duty, receive the strongest possible financial support. This is especially true for our soldiers who die in combat related incidents. The Army urges strong support of the Survivor Benefit Plan, especially in situations where small children suffer the loss of a parent in service to country. Severely disabled retirees deserve continued recognition of their precarious financial situation, especially if that disability resulted from a combat related incident.

CIVILIAN PERSONNEL

As of fiscal year 2002, the Army employed 277,786 civilian personnel. To forecast future civilian workforce needs with precision, we developed the Civilian Forecasting System (CIVFORS), a sophisticated projection model that predicts future civilian personnel requirements under various scenarios. The Army is working closely with the Office of the Secretary of Defense (OSD) and other Federal agencies to demonstrate the power of this system so they can fully leverage its capabilities, as well.

The Civilian Personnel Management System XXI (CPMS XXI) has identified the reforms necessary to hire, train, and grow a civilian component that supports the transforming Army. To achieve this, we have redefined the way civilians are hired, retained, and managed. Mandatory experiential assignments will become the vehicle by which we develop future leaders. CPMS XXI fully responds to current mandates in the President's Management Agenda and incorporates the results of the Army Training and Leader Development Panels. Here are two initiatives for recruiting well-trained civilians, The Army Civilian Training, Education, and Development System (ACTEDS)—a centrally managed program that accesses and trains civilian interns and grows a resource pool of personnel who can accede to senior professional positions and second the Direct Hire Authority for critical, hard-to-fill medical health care occupations which reduces in average fill-time for these positions to 29 days.

The Army is firmly moving in the right direction to provide greater flexibility and opportunity for employees, supervisors, managers, and executives in the area of human resources management. We will transform the way we recruit, compensate, assess, assign, and separate defense civilians.

DOMESTIC VIOLENCE

As you recall in June-July 2002, five homicides occurred at Fort Bragg North Carolina and the Army took action at both the local and Department of Army level.

Fort Bragg conducted a review of the existing responses to domestic violence and developed a strategy focused on increasing awareness of domestic violence incidents and reviewed the existing support programs for victims and families. Additionally, Fort Bragg leadership encouraged and expanded outreach to victims and families residing in the surrounding area and promoted community accountability and responsibility.

The ASA (M&RA) directed a review and evaluation of Army domestic violence prevention and intervention programs/policies. The team focused their efforts on study conclusions of what the Army did well, what areas needed improvement, and recommendations that pave the way ahead for the Army. Team efforts are targeted at developing an Army-wide domestic violence program and culture that is compassionate, responsive, accountable, career safe and targets prevention and early intervention for high-risk groups. Additionally, ASA (M&RA) engaged the services of civilian consultants to evaluate Army programs/policies and make recommendations for program enhancement.

The Chief of Staff of the Army directed the G–3, Deputy Chief of Staff for Operations, to look at developing a program to facilitate the reintegration of soldiers returning from contingency operations into their family and domestic environments. The intent is to provide redeploying soldiers with proper psychological screening, debriefing, mandatory briefings, and more importantly, identify those "at risk" soldiers that require immediate and longitudinal services. Army teams will continue to develop and then execute an action plan that addresses the key issues identified.

THIRD WAVE

The primary objective of the Third Wave is to make sure we are properly utilizing the military manpower we have before asking for additional resources. This is necessary because we are operating within fixed constraints, a 480K-end strength, in an environment where there may be increasing demands for military capabilities for the global war on terrorism and worldwide contingencies. We will leverage our current end strength by converting non-core military positions to civilian employees or contract, where appropriate. We will pay for these conversions through savings generated from public-private competition and divestitures. The Third Wave supports the President's Competitive Sourcing Initiative, which is one of five government-wide initiatives on the President's Management Agenda. The Third Wave analysis is based on the Inventory of Commercial and Inherently Governmental Activities (which includes functions in the FAIR Inventory) and Senior Executive Council memorandum, subject: Using Core competencies to Determine DOD's Sourcing Decisions. Third Wave study costs will be programmed in POM 05–09.

ACTIVE GUARD AND RESERVE SEPARATE PROMOTION COMPETITIVE CATEGORY

Army promotion policy requires mandatory Reserve components centralized promotion selection boards to consider all eligible officers of a grade and competitive category regardless of the Ready Reserve component to which they may be assigned. This policy further requires that mandatory boards address Army mobilization requirements, rather than consider specific Selected Reserve vacancies.

The Reserve component promotion competitive categories remain the same as those in effect prior to October 1, 1996, the implementation date for the Reserve Officer Personnel Management Act. Even though the act authorizes the Secretary of the Army to establish separate promotion competitive categories for Reserve component officers, to include those serving in an AGR program, the Army has elected not to do so.

The Army has twice considered proposals to initiate a separate U.S. Army Reserve AGR promotion competitive category. There has been no proposal for a separate Army National Guard AGR promotion competitive category. Army National Guard AGR officers may be promoted to fill AGR positions of the higher grade under the Title 32, U.S. Code, Federal recognition process. U.S. Army Reserve AGR officers may be promoted to fill AGR positions of the higher grade under the Title 10, U.S. Code, position vacancy board process.

The Army Staff reviewed both proposals to initiate a separate U.S. Army Reserve AGR promotion competitive category. It did not give a favorable endorsement to either request. The Army Staff did not favorably consider establishing a separate U.S. Army Reserve AGR promotion competitive category, because of a number of management and parity concerns. The Office of the Judge Advocate General, in its independent review of the concept, expressed concern that a separate U.S. Army Reserve AGR promotion competitive category might be contrary to the congressional intent authorizing the Secretary of a Military Department to establish a separate promotion competitive category.

There is an on-going study of the pending implementation of the Reserve components Officer Personnel Management System XXI. Part of its study, is reviewing the Reserve components officer promotion selection system. This officer promotion selection system review is intended to determine whether current promotion selection policy meets the needs of the Army and, if not, what changes need to be made. Included in this promotion selection system review are consideration of an Office, Chief Army Reserve request for the Army to initiate a separate U.S. Army Reserve AGR promotion competitive category, and alternatives to that proposal, to include extensive use of statutory position vacancy boards to meet specific U.S. Army Reserve AGR position vacancy needs.

IMPACT AID

Impact Aid funds are an important source of Federal income for school districts that educate federally connected children. These funds help to ensure our military children are provided quality education. Education has always been and continues to be a very high priority for not only the Army, but for our soldiers. This is keenly evidenced by results from our yearly Army Family Action Plan (AFAP) conferences where education issues consistently rank among the top issues that our soldiers and their families vote as the most important to resolve. As you are no doubt aware, the Impact Aid program is a U.S. Department of Education (DoED) function and responsibility. The Army supports the Department of Defense (DOD) position that Impact Aid funding and management is correctly positioned within DoED.

The Army's strategy is to continue to work with DoED and DOD, to find solutions to current issues with Impact Aid. Recognizing the importance of Impact Aid funding to our local schools, the Army has funded 117 "dedicated" School Liaison Officer (SLO) positions effective fiscal year 2003. One of the functions of the SLO is to ensure installation commanders and parents understand the Impact Aid program and serve as informed consumers for the funding of programs/services that address the specific needs of our military children. Through School Liaison Services, the Army supports partnerships with school systems and school boards to facilitate opportunities to notify school personnel, parents, and community leaders about the importance and potential benefits of Impact Aid. In July 2002, the Military Impacted Schools Association (MISA) partnered with the National Military Family Association (NMFA) to brief the Army's School Liaison Officers on the Impact Aid program to include funding, legislation, and developing effective partnerships.

The Army has made great strides in finding ways to institutionalize strong partnerships among our military communities and our local education agencies. We will continue to work with our local schools and partner organizations to find creative solutions for the often-unique school transition and educational issues that our mobile military children face. We are committed to doing everything we can to ensure our children receive the quality education that they deserve.

CONCLUSION

We are proud of our progress. We are grateful for the strong congressional support that has helped offer tremendous opportunities to America's youth. Our soldiers return to America's communities better educated, more mature and with the skills and resources to prepare them for a productive and prosperous life. They make valuable contributions to their communities.

We are hopeful that your support and assistance will continue as we demonstrate our commitment to fulfilling the manpower and welfare needs of the Army; active, Reserve, civilian, retirees, and families.

Again, thank you for the opportunity to appear before you today.

Senator CHAMBLISS. Thank you, General.

Admiral.

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

Admiral HOEWING. Good afternoon, Mr. Chairman, Senator Nelson, Senator Pryor. It is truly an honor to be here as the Chief of Naval Personnel to represent those dedicated men and women of our United States Navy. Our CNO, Admiral Clark, made manpower his number one priority, and since that time we have

showed tremendous success. Today we have more than 382,000 sailors out there doing our Nation's work.

In fact, as of today, we have 76,600 active duty sailors forward-deployed on ships, squadrons, and submarines, ready to support the war on terrorism. 165 of those ships and submarines, 54 percent of the fleet, are forward-deployed as we speak. In addition to that, we have over 8,000 mobilized reservists supporting us back here, mostly in the States.

Our budget for fiscal year 2004 will continue the momentum that we have seen over the last couple of years. We have, as we speak, with those seven carrier battle groups, two-thirds of our amphibious force forward-deployed. Every single one of those battle groups and amphibious readiness groups is fully manned and ready for combat.

Our CNO challenged us to improve readiness, reduce attrition, and create a positive environment with opportunities for the personal growth and development of our sailors. We have increased our retention rates to the highest we have seen in the history of the United States Navy, while simultaneously reducing our attrition rates to the lowest that we have seen in the last decade.

Our recruiting has met its mission now for the last 4 consecutive years, and in our higher objective, new contract objective, with greater quality and greater number of high school diploma graduates. We have grown our Top Six of the Navy from less than 70 percent to now 72.5 percent, and will continue to grow over the next several years to not only increase our experience, but increase the technical ability of our force. In spite of these accomplishments, we can and will do better.

I want to make a short announcement here that our strategic principle is "mission first, sailors always." Everything we do in manpower and personnel is focused on accomplishing the mission and, at the same time, we want to make sure that our sailors are well taken care of, including their families.

Our request for fiscal year 2004 will ask to help us shape the force even better than we have in the past. We want to thank you for the opportunity to pilot a program called assignment incentive pay. We will be transforming the way we assign, distribute, and train our sailors in fiscal year 2004 with a system we call Sea Warrior that is fundamental to the application of the CNO's sea power vision for the 21st century, and meaningful, positive experience for our Navy.

We call it quality of service. Quality of service includes both quality of life and the quality of work environment. The pay raises, the bonus and incentive programs, BAH buy-down to reduce out-of-pocket expenses, spouse employment and other morale, welfare, and family support initiatives fit into this category.

At the same time, we also want to make sure that we bring our civilians at even a greater rate into our process, to grow and develop our civilians in the same manner that we grow and develop our military people.

We look forward to the challenges ahead, working with Navy, the Department of Defense, under the direction of the Commander in Chief, and with the guidance and support from Congress. The challenges are many, but the potential for success abounds.

Thank you, Mr. Chairman, for the opportunity to address you today.

[The prepared statement of Admiral Hoewing follows:]

PREPARED STATEMENT BY VICE ADM. GERALD L. HOEWING, USN

Mr. Chairman, and distinguished members of this subcommittee, I am deeply honored to have been chosen last year to take the helm as the 53rd Chief of Naval Personnel, a career opportunity that permits me the honor of leading a team of consummate professionals responsible for providing direct support to sailors and civil servants world-wide who, together, comprise the most formidable force in the history of naval warfare.

I also want to express my sincere gratitude for the outstanding support Congress, especially this subcommittee, continues to show for all military personnel and their families during this unprecedented time in our Nation's history.

Two years ago the Chief of Naval Operations (CNO) established manpower as his number one priority. As a direct result of this commitment, we commenced the war against terrorism in a very high state of readiness. As I speak to you today, over 380,000 active duty and 156,000 Reserve personnel are participating in preserving freedom and ensuring our Nation's security as volunteers in the world's premier Navy—your Navy! Nearly 70,000 of those active duty sailors are currently forward deployed on over 150 ships and submarines in direct support of the war on terror bolstered by a dedicated cadre of approximately 8,000 mobilized naval reservists, among the finest to ever serve.

The pay raises, both across the board and targeted; enhancements to special and incentive pays, especially career sea pay; efforts to improve housing and reduce out-of-pocket housing expenses; the authorization to participate in the Thrift Savings Plan and improvements in medical care and retirement reforms are among the most significant factors that have helped us attract and retain the sailors we need today, many of whom will form the core of tomorrow's Navy leadership. As a result of these and other accomplishments, battle groups deploying to execute the Nation's global objectives are better manned than at any time in recent history—departing homeport at or above 99 percent manned.

The Fiscal Year 2004 Navy Military Personnel budget request of $25.7 billion (Active $23.6 billion/Reserve $2.1 billion) seeks to continue building momentum as we pursue our Vision as the world's most powerful maritime force, of becoming the premiere military and governmental institution, attracting and retaining the Nation's most talented, service-seeking men and women.

PAST YEAR ACHIEVEMENTS

Last year the Chief of Naval Operations challenged us to improve retention, reduce attrition, and create an environment that offers opportunities, encourages participation, and promotes personal and professional growth. We have met that challenge—recruiting, training, and retaining a more qualified and educated workforce—but these successes are about more than numbers. They are about real people being encouraged to succeed by real leaders who appreciate their service and their commitment to our Nation.

- Recruiting. In fiscal year 2002, recruiters met all accession requirements every month throughout the year. As of February 2003, Navy Recruiting Command met all accession requirements for 19 straight months. The fiscal year 2003 beginning of year Delayed Entry Program was at the highest level (54 percent) since record keeping began in 1980, and the quality is very good. Last year we accessed 92 percent high school graduates (up from 90 percent), and nearly 6 percent of new recruits had some college education prior to joining.
- Retention. Record reenlistment rates allowed us to retain vital fleet experience. In fiscal year 2002 Zone A (0–6 years of service) reenlistment was 58.7 percent; Zone B (6 to 10 years of service) reenlistment was 74.5 percent; and Zone C (11 to 14 years of service) reenlistment was 87.4 percent. Improved retention reduced at-sea manning shortfalls by more than 36 percent last year and reduced our fiscal year 2002 recruiting goal from 54,000 to 46,150; saving precious recruiting resources.
- Attrition. Here too, the trend is positive. In 2002, we reduced Zone A attrition by over 23 percent. Also, Recruit Training Command (RTC) drug losses declined more than 27 percent, largely due to drug testing within 24 hours prior to shipping to RTC.

• Advancement. Last year, advancement opportunities were 20.1 percent for E–5, 19.3 percent for E–6, 26.7 percent for E–7, and 13 percent for E–8. Through careful management of Top Six (E–4 to E–9) growth, high year tenure, retirements, and reenlistment rates, we anticipate advancement opportunity will remain stable through fiscal year 2007 as we work toward a more senior force. Toward that end, in fiscal year 2002 we increased the overall number of E–4 to E–9s in our Navy by 2.5 percent to 71.4 percent, heading toward 73.3 percent in fiscal year 2004 and ultimately 75.5 percent by fiscal year 2007.

As impressive as these gains are, there are still areas where we can do better, and we will. The challenge comes in prioritizing resources and implementing programs and initiatives, many of them truly transformational, which will ensure our Vision is achieved and sustained. I recently conveyed my 2003 guidance to my team of professionals that comprise the manpower and personnel directorate of the Chief of Naval Operations staff and each of our integral field activities, following a Navy Military Personnel Strategy we developed last year. Among the more significant challenges facing Navy Manpower this year are:

• Shaping our Inventory Profiles. We must maintain a balanced inventory of qualified people to meet fleet needs as well as ensure the proper levels of experience at sea and ashore.
• Satisfying the demands of an All-Volunteer Navy in the 21st century. We must apply our concepts for sailor advocacy and Distribution Transformation.
• Determining Total Force Requirements. We must balance our inventory of people with valid billet requirements, reduce the overhead in officer and enlisted personnel accounts, and validate proper active/Reserve/civilian/contractor work force mix.
• Growing a more Experienced and Technical Force. We must enrich our current force knowledge and experience levels to meet the demands of our advanced combat systems.
• Providing Meaningful Work. We must adopt alternative strategies to positively influence our levels of general sailors assigned to meet non-technical requirements.

Our fiscal year 2004 budget request fully supports these objectives and every member of my personnel team clearly understands their role in supporting Navy's bottom line of *delivering combat capability, whenever required, anywhere in the world.* That capability starts and ends with a fully trained force of highly educated sailors. As we move forward, we carry with us a simple strategic principle that we internalized last year:

"Mission First, Sailors Always"

This principle means that we evaluate our plans and actions against two complimentary criteria:

• Does this meet mission needs?
• Does this meet sailors' needs?

A VISION FOR THE FUTURE

I mentioned that there is much that remains to be done. I'd like to share with you my vision of where Navy's manpower and personnel programs are headed over the next few years.

As part of the CNO's Sea Power 21 initiative, we are developing and implementing a program, called "Sea Warrior". This web-based, human resource management system reflects an unprecedented commitment to the growth and development of our people. It serves as a foundation of warfighting effectiveness by ensuring that sailors with the right skills are in the right place at the right time. Sea Warrior will develop naval professionals who are highly skilled, powerfully motivated, and optimally employed for mission success. Historically, our ships have relied on large crews to accomplish their missions. Future all-volunteer service members will be employing new combat capabilities and platforms that feature dramatic advancements in technology and reductions in crew size. The crews of modern warships will be streamlined teams of operational, engineering, and information technology experts who collectively operate some of the most complex systems in the world. As optimal manning policies and new platforms further reduce crew size, we will increasingly need sailors who are highly educated and expertly trained. Introducing our people to a life-long continuum of learning will be key to achieving this vision.

Within the next few years, I want sailors and their families to be able to easily access an enhanced wide range of professional information to assist them in making better career decisions. We will have in place a process by which advancements will be achieved through a performance-based system, and enlisted members will be detailed in a manner similar to how our officers are currently detailed. The ratings in which sailors serve will be fully manned, and personnel readiness for all deploying units will be at the highest levels.

Unrestricted line officer's career paths will better train, educate and develop them to meet operational requirements and lead our sailors. Our officer corps will fully represent the talents of our society, as we penetrate and access a greater share of the college-graduate minority market and retain those officers at a rate on par with all others.

Our sailors and officers serving at sea will be supported ashore by a leaner, more efficient manpower team that is optimally manned for mission success. New IT solutions will provide more information to sailors and civilians and provide leaders with more accurate, real-time data upon which to make better manpower, personnel, and financial decisions all yielding improved combat effectiveness. People will also be an integral factor in the acquisition process, as investment decisions will consider lifecycle manpower costs in our acquisition programs. Families will have an increasingly more active role in our Navy as their direct inputs are used to produce a continuum of new family related initiatives. Spouse employment will be an even greater element of the sailor assignment process. When a leader says, "We recruit a sailor, but we retain a family," every sailor and family member will nod their head in agreement.

I foresee our sailors being supported by a dedicated civilian community that has been developed through our ability to recruit top-notch people to serve in a structured program that provides superb training and education, personal development and pathways to success. We will integrate the civilian leaders of this talented group, members of the Senior Executive Service, with their uniformed flag officer counterparts, to take better advantage of their collective knowledge, skills and abilities.

Within the next 3 years, our personnel strategy will be fully transformed into an effective *human resources* strategy that ensures the readiness of tomorrow's integrated force structure. Fusing currently segregated manpower, personnel, and training processes into a single integrated human resources (HR) philosophy will allow us to more acutely focus on the clear relationships between Navy's work (manpower) and our sailors (personnel and training). The transformational HR process will build and enhance these relationships through integration of positions, knowledge, skills, abilities, tools (KSAT), and personnel competencies. Ultimately, the HR integration will allow Navy to frame manpower requirements, as well as recruit, distribute, train, and professionally develop our sailors based on a common competency network.

Many of the items I've just mentioned are already close to realization. As I stated earlier, the focus of these initiatives will be a tangible improvement in combat readiness and mission execution. Improvements in the recruiting, manpower, and personnel business will further reduce gaps at sea, gain efficiencies necessary to fund valid requirements and give every commanding officer, afloat and ashore, the talent needed to carry out any assigned mission.

A FRAMEWORK FOR TODAY

Shaping the Force: In fiscal year 2003, we are executing approximately 3,900 in strength higher than authorized—consistent with our need to fill Antiterrorism/Force Protection (AT/FP) and readiness requirements, yet well within the +3 percent authority provided by Congress. Our end strength request for fiscal year 2004 reflects a reduction in strength (1,900 active and 2,044 Reserve) that is largely the result of the manning delta associated with planned decommissioning/disestablishment of older ships and squadrons. For the Reserves, we have decommissioned one F/A–18 squadron to conform with the Navy/USMC TACAIR integration/reduction plan and have taken cuts in Seabee and medical personnel in order to rebalance the active/Reserve mix. We have embarked upon various efforts to help improve manpower efficiency and reduce future manpower requirements. This year, as we continuously evaluate our evolving strength requirements, we will seize upon the opportunity to shape the force, improve overall quality and enhance the skill mix. The result will be increased mission readiness and better advancement opportunity across all ratings.

- Meeting the Recruiting Challenge. As previously stated, our fiscal year 2002 recruiting efforts were unprecedented and this success has continued through the be-

ginning months of 2003. Although recruiting has benefited somewhat from current economic conditions, the positive results of the recruiting effort can be attributed to a professional recruiting force, properly supported to achieve their mission objectives.

Fiscal year 2002 marked the fourth consecutive year in which Navy met its enlisted accession mission, including a string of 18 consecutive months (through January 2003) in which Navy attained new contract objective—a feat the Navy has not accomplished in at least two decades. Meeting new contract objective is important because it builds the number of recruits in the Delayed Entry Program (DEP) to a level that provides a higher probability of long term recruiting success.

Improving Quality. This strong DEP position, far better than it has been in the recent past, has given Navy a strategic opportunity to improve recruit quality. Our data indicates that a higher quality recruit is less likely to attrite in the first term of enlistment. A higher quality recruit is also better suited for today's highly technical Navy that requires sailors to develop and maintain increasingly complex skill sets through higher levels of education and a broader range of training. In this context, we measure recruit quality by:

- the percentage of High School Diploma Graduates (HSDGs),
- the percentage scoring in the upper half of the Armed Forces Qualification Test (AFQT),
- the number enlisting with college credits, and
- the number requiring waivers of standards.

Nearly 92 percent of fiscal year 2002 accessions were HSDGs, a significant improvement over the DOD minimum of 90 percent achieved in fiscal year 2001. We are confident that we can continue this trend and have established a stretch goal of 94 percent in fiscal year 2003—which we are on track to achieve. We have also increased the percentage of recruits who scored in the top half of the AFQT from 63 percent, in fiscal year 2001, to 65 percent, in fiscal year 2002. We shipped nearly 2,500 applicants with college experience in fiscal year 2002, and the percent of non-prior service recruits with college experience improved from 4.5 percent, in fiscal year 2001, to 5.6 percent, in fiscal year 2002. To find the most cost-effective ways to attract these high quality recruits, we are exploring college-market penetration pilots as well as increased enlistment incentives specifically targeted to attract applicants with college experience. We have also tightened waiver standards. On a case-by-case basis, we approve waivers for high-quality individuals who have minor inconsistencies with Navy enlistment standards in areas such as physical standards, age, and number of dependents. The number of recruits requiring waivers dropped to just 17.8 percent in fiscal year 2002.

Officer Recruiting. Fiscal year 2002 was also a very successful year for officer recruiting. We met all requirements in the Nuclear Officer, Unrestricted and Restricted Line and Staff communities. Among healthcare providers, Medical and Nurse Corps met their respective goals, while the Dental Corps and several Medical Service Corps specialties narrowly missed their requirements. Overall, this represented a significant improvement over the previous year.

We have already met fiscal year 2003 requirements for pilots, surface warfare officers (conventional and nuclear), SEAL and Explosive Ordnance Disposal officers, aviation maintenance duty officers, oceanographers, intelligence officers, public affairs officers and supply corps officers. We still have some work to do to find the required number of Naval reactor nuclear power instructors, Medical Corps, Dental Corps, and Medical Service Corps officers.

Diversity. At the start of fiscal year 2003, Navy Recruiting committed to making officer diversity recruiting a top priority, another example of how recent recruiting success has allowed us to focus on more than just the numbers.

Navy's fiscal year 2002 enlisted accession cohort generally matched the diversity of the American population. However, fiscal year 2002 officer new contracts statistics fall short of minority representation among those Americans receiving Bachelor's Degrees.

[Percent]

	African American	Hispanic	Asian/Pacific Islander/Native American
Fiscal Year 2002 Enlisted Accession Cohort	18.1	15.5	9.7
16–24 year old data (2000 census)	15.1	15.2	5.2
Fiscal Year 2002 Officer New Contracts	5.1	4.8	8.0

[Percent]

	African American	Hispanic	Asian/Pacific Islander/Native American
Bachelor Degrees in the Engineering Field (2000 Digest of Education Statistics)	5.6	5.8	13.4

We are aggressively pursuing new strategies and policies to aid our diversity recruiting goals. Instructors at Navy Recruiting Orientation Unit (NROU) are now presenting diversity programs briefings to all recruiters attending training, and we are emphasizing the importance of diversity throughout curriculum courses. Additionally, the NROU National Training Team (NTT) has incorporated diversity into the Command Inspection Checklist to ensure that each Naval Recruiting District implements a systemic approach to diversity planning and production.

Campbell-Ewald of Detroit, MI, our strategic partner in advertising and marketing, is also increasing its focus on diversity. Agency representatives are currently conducting research to identify any misperceptions among minority communities about Navy service. The results of these research studies will help shape and direct future marketing and advertising efforts designed to target minority recruits and their influencers.

Statistical evidence demonstrates that increased focus on diversity is producing results. A comparison of new contract percentages attained through the first quarter of fiscal year 2003 to the entire 2002 fiscal year reflects improvements in all areas.

[Percent]

	African American	Hispanic	Asian/Pacific Islander/Native American
Fiscal Year 2003 1st Quarter Officer New Contracts	6.8	5.0	11.1
Fiscal Year 2002 Officer New Contracts	5.1	4.8	8.0

Advertising. Navy's "Accelerate Your Life" advertising campaign was rolled out approximately 2 years ago and has been an unquestionable success, winning over 38 competitive awards spanning the entire spectrum of the advertising and marketing field. The campaign communicates Navy as a hands-on adventure that will accelerate one's life to the highest level of achievement. Its objectives have included building awareness and consideration of the Navy as a career option and generating leads for recruiter follow-up. During the campaign's second year, the strategy has continued to focus on media channels and creative solutions targeted at the 18–24 year-old audience.

The centerpiece of our campaign is the Interactive Life Accelerator found on the NAVY.COM Web site. During the 2002 International Web Awards Best Of Industry Awards competition, the site took home Best Of Show and Best Of Government Agency Web Awards. This prestigious recognition placed NAVY.COM among the best in the world in a competition featuring 3,600 entries from 19 countries. The site enables individuals to indicate their likes and dislikes, and then translates their interests into a range of possibilities for a rewarding Navy career. Leads are captured and sent directly to the National Advertising Leads Tracking System, providing recruiters with timely and invaluable prospect information. Since its launch in March 2001, over 540,000 people have logged on to the Life Accelerator with 85 percent completing the assessment. Many recruiters report prospects walking into recruiting offices with Life Accelerator results in hand. Today, the NAVY.COM Web site averages over 24,500 visitors per day.

The advertising campaign is a key tool in increasing Navy's ability to attract recruits from both the college and the high quality diversity markets. For example, in recent months, we tested an accredited junior college marketing course centered on Navy recruiting. The test clearly showed this approach to be extremely helpful to recruiters' efforts to engage with junior college students and their influencers. We have also completed specific research in attracting African Americans who score in the top half of the AFQT, and the resulting advertising is in development for release in late spring or early summer. Finally, Navy's recognition of rapid growth in the Hispanic community has led to measured research resulting in messages that recognize the community's unique language, culture and areas of interest within Navy.

The success of our recruiting efforts, coupled with outstanding retention has allowed us to make some strategic reductions in both our advertising budget and the number of recruiters we have in the field. The fiscal year 2004 budget request for recruiting advertising is $87.9 million, essentially the same as the fiscal year 2003

advertising budget. I feel comfortable with what amounts to a reduction in real buying power, but have asked recruiting command to closely watch for any indication of a change in our overall recruiting success as we try to attract approximately 43,900 accessions in fiscal year 2004.

National Call to Service. One final subject that falls under the category of recruiting is the National Call to Service (NCS) program. Navy is proactively engaged with the Office of the Secretary of Defense in developing NCS policies as we prepare to make this option available to those entering into an enlistment contract in fiscal year 2004. As currently envisioned, NCS will be made available to approximately 450 of the fiscal year 2004 accession mission across a variety of ratings. To qualify, participants must have no prior military service; meet existing physical, aptitude, and moral standards for enlistment; and be both a HSDG, possibly with some college, and score in the top half of the AFQT. Navy plans to make the program available to ratings that will best facilitate meeting out-year SELRES accession requirements.

- Retention. As important as new recruits are to our organization, we invest a great deal of resources in each sailor's personal and professional development. It is imperative that we receive optimal return on that significant investment in people. Upon assuming his assignment as our Chief of Naval Operations in 1999, Admiral Vern Clark challenged Navy leadership to retain our best and brightest sailors in order to achieve Navy's long-term personnel readiness success. In fact, he made it his Number 1 priority. Increased retention results in reduced training costs, fewer recruiting requirements and, most importantly, improved mission readiness. The greatest challenge to retention is attrition—sailors lost to the Service before fulfilling their service obligation. Historically, 10–15 percent attrition rates were the norm among initial-term sailors. With renewed vigor, we are providing our people compelling reasons to stay early in their service, developing and mentoring every sailor with an eye for potential productive performance, and providing them every opportunity to succeed. We have been successful in this endeavor. For example, in Zone "A", attrition declined by 23 percent in fiscal year 2002 alone. This means that we retained around 4,700 sailors with less than 6 years of service who would have been previously lost to our rolls. In the first quarter of fiscal year 2003, we have already seen another 11 percent reduction in Zone "A" attrition, to 7.6 percent. Our vision is to cultivate a Navy-wide personnel climate that offers plentiful opportunities, encourages participation and is conducive to personal and professional growth.

Center for Career Development (CCD). Admiral Clark brought with him a new vision and directed establishment of a Center for Career Development to focus on improving retention and reducing attrition. Enhanced professional training for command retention teams and Navy Career Counselors, Career Decision Fairs (CDFs) for sailors and their families, and comprehensive, user-friendly, interactive products using the latest information technology are helping sailors and their families to make informed decisions. Statistics show that the Stay Navy Web site is becoming increasingly more relevant as it accrued over 889,000 visitors during calendar year 2002. Direct involvement of the CCD staff with command-level leadership continues to be the key to maintaining focus and shaping Navy's retention culture.

Reenlistments. Proactive and personalized leadership involvement, as well as across-the-board and targeted compensation initiatives, additional career choices and availability of quality career information have resulted in historically high numbers of sailors deciding to stay Navy. While overall reenlistment rate improvements have been modest over the past 2 years, the trend continues to be positive as we are on track to attain fiscal year 2003 Retention Targets.

Selected Reenlistment Bonus (SRB). Although substantial improvements in the quality of service have been obtained through items such as pay raises and housing allowance increases, the most important reenlistment tool we have is the SRB program. This force shaping tool allows us to pay bonuses to specific sailors in return for an extension of time on active duty. Through constant and precise management of this program, bonuses are targeted to specific skill sets, taking into account overall retention of all members within that specific skill and the cost-benefit of replacing an existing service member with a new recruit. The fiscal year 2004 budget request for SRB new payments is $192 million, which should cover approximately 18,000 reenlistments. This year's submission also includes a request to raise the maximum bonus award ceiling by $30,000 to allow much needed maneuvering room for our future efforts to retain the Navy's most critical and highly-trained sailors.

As a result of our enhanced retention and reduced attrition, we have achieved a relatively stable end-strength. This affords us the opportunity to concentrate on "shaping the force" in order to ensure Navy has sailors with requisite skills who are properly placed, enhancing not only our daily mission accomplishment but also ultimately our overall combat readiness.

Perform To Serve. "Mission First, Sailors Always" is the concept behind the "Perform to Serve" (PTS) initiative. The Navy must balance its skill inventory with its billet requirements to optimize fleet readiness. PTS will strive to accomplish this while simultaneously providing increased promotion opportunity and professional growth for today's sailors. A significant improvement in reenlistments and reduced attrition, coupled with recruiting success, has presented us with an opportunity to improve the skill mix of our force. With PTS, we are centralizing reenlistment authority using a fully automated system that will align Navy requirements and personnel by providing sailors with reenlistment options. While the majority of sailors will be granted reenlistment authority within their current rating, others will be guided to convert to undermanned ratings. In those cases requiring conversion, sailors will be provided formalized training to ensure success in their new rating.

Lateral Conversion Bonus. The fiscal year 2004 submission also includes a request to establish a new Lateral Conversion Bonus authority. Where PTS is focused at rating conversions at the end of a member's initial obligation, the lateral conversion bonus would be targeted at encouraging non-EAOS, career sailors (second term and beyond) to convert to undermanned ratings. These types of conversions would help us retain valued experience while avoiding additional costs incurred by recruiting and training a new service member.

Active Reserve Force Mix. Another important element of force shaping concerns the overall Active and Reserve Force mix. The CNO has initiated a major review to examine the desired active and Reserve mix for the future, specifically addressing potential shortfalls and high demand-low density unit demands. To date, the major area of change in Active/Reserve Force mix has been with antiterrorism/force protection personnel. To complement the 1,888 active members being converted into Master At Arms (MA) ratings (with a future goal of growing the MA force to approximately 9,000), the Reserve Force is growing an additional 3,085 MAs in order to meet the requirements of higher threat conditions. Additionally, newly established active component security force assets are being created to provide a unit/point defense capability to the fleet, a mission previously filled by Naval Reserve NCW forces. Integration of the active mobile security force with existing Naval Reserve coastal warfare forces is underway.

TRANSFORMING SAILOR CAREER MANAGEMENT

Sea Warrior Project. Borrowing the name from CNO's overall concept for personnel development within the Sea Power 21 initiative, the Sea Warrior project is the key enabler that drives the systematic transformation of our current Manpower, Personnel and Training (MPT) Strategy to meet changing missions and workforce environments. It is a web-based, comprehensive, career management system, which incorporates current and future human resource products, including Task Force Excel (Excellence Through Education and Learning), Project SAIL (Sailor Advocacy through Interactive Leadership), and Improving Navy's Workforce, exploiting advanced technology and best business practices, to enable rapid sequential prototype development. A synchronization plan for an end-to-end transformation of Navy's Human Resource system began in July 2002 through a formal partnership between the OPNAV manpower and personnel directorate, Commander Naval Reserve Force, and the Naval Education and Training Center, with collaboration of Navy Personnel Development Command, SYSCOM, fleet representatives, and community managers.

Just last week, we demonstrated the first Sea Warrior prototype, Career Management System (CMS), to the Chief of Naval Operations. CMS is a web enabled single entry point into a self-service information-rich environment. The system employs a market place approach incorporating dynamically applied monetary and non-monetary incentives to place the right sailor in the right billet at the right time with the right motivation, resulting in an increase to combat/mission readiness.

We will continue refining milestones, focusing vital resources and leveraging investments in world-class information technology to realize the combined benefits of new technology and business best practices.

- Distribution. "Sailor Advocacy" aptly captures the fundamental philosophical change that we have injected into the distribution process. For example, seeking to give sailors a stronger voice and greater control over their career decisions, we have fully implemented the "Team Detailing" program by establishing Command Teaming Coordinators who facilitate coordination between each command and Navy Personnel Command throughout an individual's detailing process. This results, systematically, in better pairing of every sailor with the right job. We are convinced that the pay off for Navy will be improved manning, an even more motivated force and increased readiness.

- Assignment Incentive Pay. We are just about ready to implement our new Assignment Incentive Pay (AIP) program that was authorized last year. AIP is intended to help attract qualified volunteers to difficult-to-fill jobs. Our initial pilot will be focused overseas in Naples and Sigonella, Italy and Misawa, Japan and will be structured in a format that will allow the market to drive the applicable level of financial incentivization (within established controls).

- "Noble Eagle" Sailor Advocacy Team: Improved Mobilization. Through our Noble Eagle Sailor Advocacy (NESA) team at Navy Personnel Command we are managing mobilized Reserve personnel more professionally through inter-active career counseling and assistance. This team provides professional career management advice and assistance to mobilized members, and assists order writers through a database that reflects current career choices and preferences of mobilized members. We have also standardized and streamlined our mobilization and demobilization processing through the development of a new, web-based, Navy-Marine Corps Mobilization Processing System (NMCMPS), leveraging an existing and proven Marine Corps system and adapting it for use throughout DON.

POSITIVE NAVY EXPERIENCE

Sailor Satisfaction. The Navy is a positive lifestyle, which also becomes a lifetime influencer. Every sailor, and former sailor, as well as their families, are potential Navy recruiters. Our sea service is challenging, and deployments away from loved ones are never easy. We must make the naval experience a rewarding one—a period of time in which sailors and their families embrace the Navy as an essential element of their identities. We must provide services that minimize the stress on them during deployments, enhancing their Quality-of-Life (QOL) when at home, and making the transition between the two less stressful.

The fiscal year 2004 budget request includes $473 million to continue Pay Table Reform for both active and Reserves. Sailors will receive an average 4.1 percent increase in Basic Pay with some rates receiving slightly more, others slightly less (2 percent for E1s to 6.25 percent for E9s). The budget also includes $210 million to fund increased BAH rates and reduce out-of-pocket housing expenses to 3.5 percent.

- Personnel Tempo (PERSTEMPO). Fiscal year 2000 legislation established the PERSTEMPO program, the intent of which was for Services to improve the quality of life and retention of their service members by reducing/eliminating excessive deployments. Since implementation, we have been carefully managing our sailors time away from home, closely monitoring deployment periods consistent with operational requirements.

Although suspended by OSD following 11 September 2001, Navy has continued to track and report the deployments of its members throughout the national security waiver timeline. The following table provides detailed Navy (active and Reserve) PERSTEMPO data based on including PERSTEMPO days accumulated during the suspension period (Included), as well as eliminating those days (Eliminated).

Suspension days	>=600	500–599	400–499	300–399	220–299	182–219	100–181	1–99	0	Total	400 & more	At least one ITEMPO day
Included	3,469	2,830	4,933	25,873	51,707	24,943	44,104	110,881	223,421	492,161	11,232	268,740
Eliminated	0	0	0	0	2,702	16,099	44,740	131,311	297,309	492,161	0	194,852

Data as of 10 Jan. 2003.

We strongly support the fiscal year 2004 alternative legislative proposal that would replace the current PERSTEMPO HDPD of $100 per day, with a progressive, monthly high deployment allowance of up to $1,000. The revised payment schedule fairly compensates members for both excessively frequent and excessively long deployments. The inclusion of both a "frequency piece" and a "duration piece" for the proposed high-deployment allowance is more reflective of sailor hardships produced by "burdensome" deployments, especially since extended deployments often occur suddenly, in response to a crisis or warfighting necessity.

- Fleet and Family Support Center Programs. Navy Fleet and Family Support Centers (FFSCs) exist to provide services that facilitate fleet, force and family readiness. The primary mission is to assist commands in achieving operational readiness, superior performance, member retention and an optimal quality of life for service members and their families. Navy operates 55 FFSCs, providing services at 67 service delivery sites throughout the United States and 9 foreign countries. A new Navy-wide marketing campaign that emphasizes specific programs and services is expected to steadily increase command, sailor and family knowledge and use of services.

- Morale, Welfare, and Recreation (MWR). Navy MWR continues to provide a wide array of recreation, social and community support activities at U.S. Navy facilities, worldwide. Our mission is to provide quality support and recreational services that contribute to the retention, readiness, mental, physical, and emotional well being of our sailors. The estimated fiscal year 2004 funding of $843 million (includes non-appropriated and appropriated funds) will provide active duty, Reserve, and retired Navy personnel and their families with sports and physical fitness activities, outdoor recreation, value-priced tickets to entertainment and tours, and a variety of food and beverage services. Child development and youth programs provide safe, affordable, quality childcare for over 44,000 children of Navy families. In an effort to meet the demands of our mission, to include increased shift work, changing schedules, and deployments, the Navy has instituted a 24/7 childcare pilot in Norfolk and Pearl Harbor. Under this pilot project, childcare will be provided after hours and on weekends. MWR has been very active in supporting sailors and their families and has focused its efforts in four key areas:

- support for deployed and isolated forces;
- child development and youth programs;
- the Navy Movie program; and
- entertainment/special events.

In the past year, Navy MWR has continued its rich tradition of offering sailors and their families exceptional opportunities. We:

- Hired and assigned civilian Afloat Recreation and Fitness Specialists in major fleet units to provide state of the art programs and availability of fitness and recreation gear in deploying ships.
- Increased live entertainment opportunities for afloat forward-deployed personnel by 60 percent.
- Provided every sailor a free phone card permitting sailors to stay in touch over the holidays with loved ones back home.
- Initiated a "sneak preview" program allowing sailors and their families to advance-screen major motion pictures. Provided early release videotaped movies to ships in the Persian Gulf and Mediterranean Sea. Created "Theater-in-a-Box", a self-contained unit that takes videotapes, screens, and players direct to the front lines.
- Offered contests and special events through the "Saluting Sailors and their Families Program" in appreciation of the sacrifices of Navy personnel.
- Developed extended-hour childcare programs to help families cope with long hours and night shift work.

All these programs are aimed at improving the readiness and quality of life of our sailors and their families to meet the challenges they face every day. MWR is also a major contributor to retention by making the Navy lifestyle attractive to both married and single sailors. MWR's focus on readiness and retention will become even more important in the years ahead. As Navy deals with the challenges of allocating limited resources, MWR will continue to show its value as a vital tool in helping retain the best sailors and keeping them, and their families, physically and mentally fit.

- Family Advocacy. The Navy Family Advocacy Program (FAP) functions within Navy Fleet and Family Support Centers. This organizational structure provides maximum coordination of efforts at the installation level for families who are at risk of family violence and decreases the stigma associated with seeking professional assistance. As such, the Navy provides a continuum of response to troubled families that is in keeping with recommendations in the Fort Bragg Epidemiological Report.

Navy FAP is also working closely with the Department of Defense and Service FAP Counterparts on implementation of Defense Task Force on Domestic Violence (DTFDV) recommendations. Navy FAP is increasing and formalizing partnerships in communities where Navy installations are located to increase access to services not provided by the military and to ensure seamless community coordination when responding to alleged family violence. Further, FAP has increased efforts to market the full range of prevention and intervention services available to sailors and their families, which includes publicizing resources for domestic violence victims seeking information and confidential support. Navy FAP has also moved forward on Task Force recommendations pertaining to increased awareness, education and training.

- Spouse Employment Assistance Program. The Spouse Employment Assistance Program (SEAP) has made great strides in continuing to reach out to spouses seeking help in training and employment opportunities. Over 99,000 spouse contacts occurred at our 67 sites in fiscal year 2002, and we intend to help even more spouses by increasing the number of contacts to over 100,000 in fiscal year 2003. We also engaged with the world's leading employment agency, Adecco to provide temporary

and full-time employment and training for our spouses. Building partnerships will be our watchword this year as SEAP explores agreements with industry leaders and conducts forums on a local and national level to encourage mobile careers. Other initiatives include assisting spouses in updating professional credentials to meet state requirements, collaborating with detailers during the assignment process, and advising them of the potential for spouse employment in the assignment areas being considered.

TECHNOLOGY-BASED HUMAN RESOURCE SYSTEM

Human Resource Computer Programs. In concert with our deployment of a comprehensive Total Force Management Strategy, we have developed a supporting information technology strategy. Information technology is the essential enabler that must be employed quickly, efficiently and smartly to carry out the Total Force strategy, improve quality of service for sailors, and achieve CNO's Sea Warrior vision. Much of the existing Navy manpower and personnel information systems infrastructure consists of a patchwork of stove-piped systems, some more than 25 years old, with duplicative collection and storage of data. These legacy systems are difficult to maintain, resistant to change, and expensive to operate. They hinder decision-making and represent a significant and unnecessary obstacle to our transformation efforts. If we hope to transform our force management processes in order to provide our sailors with the interactive web-based tools and training they need, we must first transform our information infrastructure.

- Single Integrated Human Resource Strategy (SIHRS). SIHRS is our vision and strategy for this transformation. It was developed in response to recommendations of the Recruiting, Retention, Training, and Assignment (RRTA) working group of the Revolution in Business Affairs (RBA), which found that many manpower and personnel functional problems result directly from systemic problems in the IT infrastructure. Designed to break down legacy stovepipes and respond to those systemic problems, the strategy is composed of essentially three parts: modernization of field collection systems, development of a single authoritative data source, and the reengineering and/or migration of applications to this authoritative data source. The vision/goal is single data entry to a single authoritative data source; icon driven access to integrated applications; self-service, wherever it makes sense; and broad access to data at all levels, from sailors and their families to commands and headquarters. We have developed this strategy and we are working systematically to transform the manpower and personnel business and achieve the single integrated IT capability through business process reengineering, technology insertion, and by leveraging DOD and DoN enterprise initiatives. Implementation of this strategy will allow us to streamline internal practices and provide unprecedented access for all of our customers. This access will dramatically reduce routine administrative requirements at headquarters and increase the quality of time spent focusing on communication and practices that result in providing the fleet motivated, dedicated, and combat ready sailors. The Navy Human Resources Board of Directors (NHRBOD) has adopted SIHRS as the "Way Ahead".

- Navy Standard Integrated Personnel System (NSIPS). NSIPS is the Navy's initiative to consolidate active and Reserve field personnel data collection systems into a single integrated personnel system. NSIPS has already deployed worldwide at 103 Personnel Support Activities or Detachments, 278 Reserve Centers, and 178 ships serving Navy Active and Reserve Forces. This month, the web version of NSIPS will begin incremental deployment. When fully deployed (first quarter 2004), web NSIPS will allow approximately 600,000 users (with a projected daily user rate of 60,000 to 75,000 users) to access their personnel records. The Electronic Service Record (ESR) is being fully integrated into the web-enabled version of NSIPS. This initiative completely automates the service record and provides full electronic forms, viewing, and updates via NSIPS, providing a virtually paperless field service record. ESR is scheduled for deployment in May 2003. NSIPS is scheduled for final milestone decision this month, which will provide full pay and personnel functionality.

- The Defense Integrated Military Human Resources System (DIMHRS). DIMHRS (Personnel and Pay) is a joint Services program to provide a single, fully integrated, military personnel and pay system for all military components. DIMHRS goal is to provide the military Services and their components the capability to effectively manage personnel across the full operational spectrum—during peacetime and war, through mobilization and demobilization capturing accurate and timely data throughout. DIMHRS will collect, store, pass, process, and report personnel and pay data for all active, Reserve, Guard, and retired personnel. It will provide Joint Commanders with access to accurate and timely data on the number, characteristics, location, and status of all deployed personnel. With the new system, actions such as

changing personnel location, personnel status and unit assignment updates for a member of any Service or component could be accomplished by a servicing technician from any other Service or component. DIMHRS' scope encompasses core functionality required by all Services and any Service-specific functionality required to turn off their legacy systems.

Navy fully supports DIMHRS program objectives and considers it to be the Navy HR system of the future. DIMHRS will provide core personnel and pay functionality and a common Enterprise Resource Planning software platform, PeopleSoft Human Capital Management (HCM), for integration across Navy HR functions. A governing principle of our IT strategy is to leverage the infrastructure to accelerate the transformation of Navy HR. This strategy capitalizes on DIMHRS enterprise software to extend industry best practices to Navy functions outside the scope of DIMHRS. To that end, we are currently engaged in data cleansing, Business Process Reengineering and prototyping to align our processes with the DIMHRS enterprise COTS processes. When fully developed, the PeopleSoft enterprise solution will enable sailors to access their personal information, track their training and manage their career paths from their home, ship, or base—all through a web browser.

Over the past year, I have been engaged in a collaborative effort with PEO–IT, SPAWAR, SPAWAR Information Technology Center, Naval Reserve Force, Navy Personnel Command, and the Naval Education and Training Command to develop a plan to accelerate SIHRS, and the migration to a single integrated capability. The cornerstone of SIHRS, and the focus of the migration planning, is an architecture that provides a single authoritative source for all manpower and personnel data. The SIHRS migration strategy developed by this partnership will capitalize on existing acquisition programs and ease the Navy's transition to DIMHRS. DIMHRS current schedule calls for the replacement of Navy personnel systems by fiscal year 2007. In the interim, we will use NSIPS and the Electronic Military Personnel Records System (EMPRS), the Navy's personnel records repository, as the staging ground for the transition to DIMHRS. This migration strategy will position Navy manpower and personnel systems to transition to DIMHRS and allow us to work toward a single authoritative data source as the IT foundation for Sea Warrior in advance of DIMHRS availability. Consistent with CNO's direction, it will consolidate and reduce the number of legacy systems from 78 to 9 modernized systems.

- Web-Enabled Systems. Improved communications capability and web-enabling technology offer the opportunity to radically improve customer service and access to Navy HR data for headquarters, commands, individual sailors and Navy families. Industry has shown both the direction and the potential gains from enterprise adoption of web technology and data consolidation. As Task Force Web's Capstone Document notes, "while their [industry's] line of business processes such as manufacturing and supplier relations have been deeply affected, the true revolution is in administrative processes." Broad access to data is a key enabler for the Sea Warrior cultural change. The combination of NMCI and Task Force Web are establishing the foundation for Navy's goal of integrated and transformational data exchange and a web-based business and operations capability.

Navy's Task Force Web project team has cited our Task Force Web Team for its progress toward web-enablement. Six BUPERS applications have migrated to the Navy's pilot portal, an additional 19 applications have achieved a basic level of web accessibility. These web applications are making available the information needed by sailors to track, manage and make decisions about their careers, and moving us toward a sailor-centric career management process. Sailors are able to access their physical readiness test scores, performance summary records and promotion lists online, keep up-to-date on retention and distribution programs and incentives, and view and apply for jobs via the Web. In addition, the BUPERS Online Media Modernization initiative, a collaborative effort between BUPERS and the SPAWAR Information Technology Center (SITC), has converted over 95 percent of all paper-based personnel, distribution, and manpower reports produced by mainframe systems to online access. The reports, which previously were available only in hard copy, represent an annual volume of 800 million lines of print. Currently, we have deployed a web-based Mobilization Tracking System with a centralized order writing capability for deployment at headquarters and Naval Reserve Activities. The system will replace a paper-based, manpower-intensive process and allow end-to-end tracking of recalled/mobilized reservists as they move through mobilization and demobilization processes.

SUMMARY

I have informed my team that vision without execution is a recipe for disappointment; and that our number one customer is the Combatant Commander requiring

combat capability when requested, anywhere in the world. Our Navy Sea Warriors deliver that combat capability. Our fiscal year 2004 budget request fully supports our personnel policies and programs and will help to improve operational readiness and ensure mission success.

I look forward to the challenges that lie ahead, working with Navy and Defense leadership, under the direction of our Commander in Chief and with guidance and support from Congress. The challenges are many, but the potential for success abounds. Together—we must win; America and the free world are counting on it; and, they deserve nothing less than our total commitment.

Senator CHAMBLISS. Thank you, Admiral.

General Parks.

STATEMENT OF LT. GEN. GARRY L. PARKS, USMC, DEPUTY CHIEF OF STAFF FOR MANPOWER AND RESERVE AFFAIRS, UNITED STATES MARINE CORPS

General PARKS. Mr. Chairman, Senator Nelson, Senator Pryor, it is my pleasure to report on the personnel status and future manpower picture of your Marine Corps. Thank you for your support of our marines and their families.

Today, our Corps is comprised of men and women of character with a strong work ethic and a desire to be challenged, and certainly we do not disappoint them. They are obviously very busy today. These are demanding times for our Armed Forces. As my colleagues have mentioned, we have 63 percent of our operating forces currently deployed and, as of yesterday, 17,716 Reserve marines have been mobilized in support of the global war on terrorism. Our selected Marine Corps Reserve and Individual Ready Reserve are instrumental in the support that we need to have a total force warfighting organization.

Again, like my colleagues, our current picture is very healthy. Our superb recruiters have met their mission for the past 7½ years. Our first term retention program will cap its 10th year of success this year. A new program we established for career marines will also meet its target this year, and we will have an 18-year high on retention for our officers.

Last year, Congress upon our request granted us a 2,400 marine increase. That could not have come at a better time, based on the demands placed on our force, and with the accession and retention postures that I have described, we are well situated to enter the environment that we are currently in.

In large part, marines join and remain because of the institutional culture and the core values that we have, but they also expect and rate reasonable pay and compensation. The fiscal year 2004 budget continues to raise basic pay and reduce out-of-pocket expenses for housing, and provides valuable funding for our retention and recruiting programs.

Currently, in addition to the things I have outlined, we are obviously very focused on taking care of those marines who are not forward-deployed, and also for their wonderful families who are so supportive. Thank you for your support, and everything that you do for your Marine Corps, and I look forward to answering your questions.

[The prepared statement of General Parks follows:]

PREPARED STATEMENT BY LT. GEN. GARRY L. PARKS, USMC

Chairman Chambliss, Senator Nelson, and members of the subcommittee: I am honored to appear before you today to provide a personnel overview on the United States Marine Corps. The continued commitment of Congress to increasing the warfighting and crisis response capabilities of our Nation's Armed Forces and to improving the quality of life of marines is central to the strength that your Marine Corps enjoys today. We thank you for your efforts to ensure that marines and families are poised to respond to the Nation's call in the manner Americans expect of their Corps.

INTRODUCTION

Marines are fully engaged around the world proudly meeting our commitments in support of national security requirements. Today 63 percent of our operating forces are forward deployed. In support of this and other requirements, 15,022 Reserve Marines are mobilized. As with all the Armed Forces, it is a demanding time for the Corps. However, this is what marines train for and this is why we serve, to be ready to answer our Nation's call. As busy as we have been, and are today, indicators for the health of the Corps remain strong.

- Our superb recruiters continue to meet their mission, as they have month after month for the last 7½ years.
- As has been the case for the past 9 years, we are on track to meet our annual retention goal for first term marines electing to become members of the career force. This year, 6,014 first term marines will reenlist, 26 percent of the eligible population.
- Last year we implemented specific targets for subsequent retention within the career force to further manage the health of our Corps; targets we met. We are well on our way to meeting the fiscal year 2003 career force retention goal of 6,172.
- Last year we achieved an 18-year high in officer retention, 92.8 percent.

Obviously, the recognition of and support by Congress to ensure reasonable pay and compensation improvements provides the environment crucial to the success experienced to date.

The end strength increase for the Marines Corps authorized by Congress for fiscal year 2003, to 175,000, complements the demanding environment we face. By the end of this fiscal year we will essentially complete the "making" of these additional 2,400 marines, allowing for redistribution of the marines pulled from other requirements to activate the 4th Marine Expeditionary Brigade (Antiterrorism).

The fiscal year 2004 budget funds a force of 175,000 active duty marines and 39,558 Reserve marines. Roughly 70 percent of our manpower personnel budget funds basic pay and retired pay accrual. Essentially all of the remaining funds address regulated and directed items such as Basic Allowance for Housing, Defense Health Care, Subsistence, Permanent Change of Station relocations, and Special and Incentive pays. Only 1 percent of the manpower budget is available to pay for discretionary items such as our Selective Reenlistment Bonus, Marine Corps College Fund recruitment program, and Aviation Continuation Pay. While this is a manageable amount, it is one with little flexibility.

The Marine Corps appreciates the efforts by this committee to raise the standard of living for our marines. Being a marine is challenging and rewarding. America's youth continue to join the Marine Corps, and remain, in a large part because of our institutional culture and core values. However, it is important that the environment—the other factors in the accession and retention decision—remain supportive, to include compensation. Compensation is a double-edged sword in that it is a principle factor for marines both when they decide to reenlist and when they decide not to reenlist. Private sector competition will always seek to capitalize on the military training and education provided to our marines—marines are a highly desirable labor resource for private sector organizations. The support of Congress to continue reasonable increases in basic pay, eliminating "out of pocket" expenses associated with the Basic Allowance for Housing, and ensuring sound compensation and entitlements will greatly assist efforts to recruit and retain the quality Americans you expect in your Corps.

RECRUITING

In fiscal year 2002, the Marine Corps realized unprecedented recruiting success, achieving 102.6 percent of enlisted contracting and 100.1 percent of enlisted shipping objectives. Over 97 percent of those shipped to recruit training were Tier 1 high school diploma graduates, well above the Department of Defense (DOD) and Marine

Corps standards of 90 percent and 95 percent, respectively. In addition, 69.6 percent were in categories I–IIIA; again well above the DOD and Marine Corps standards of 60 percent and 63 percent, respectively. For officers, over 100 percent of objectives in all categories were achieved.

The Marine Corps is grateful to Congress for the legislation enabling recruiter access to high school student directory information. As a result, the number of high schools not providing directory information has decreased 99 percent. America's youth can learn of career opportunities in both the public and private sectors now that our recruiters are afforded access equal to other prospective employers. We look forward to your continued support as we strive to meet the increasing challenges of a dynamic recruiting environment.

The key tenants of our fiscal year 2003 recruiting strategic plan are:

- Exploiting success through focused leadership; selecting the Corps' best for recruiting duty and innovative marketing;
- Achieving the next level of organizational efficiency and effectiveness with a renewed emphasis on fiscal accountability and comprehensive organizational review and restructure;
- Recruiting our own recruiters, by making recruiting duty a place where marines want to be assigned; and
- Improving safety and quality of life for marines and families.

Exploiting Success

The Marine Corps' recruiting environment is dynamic and challenging, particularly as regards market propensity. Nevertheless, we have met the challenges of this dynamic environment for 7½ years and we plan to "Sustain Success," the motto for our strategy. Our success, as we face the challenges of the future, will hinge on our ability to overcome the low propensity of our target market that enlist and the increased cost of advertising, while maintaining innovation in our marketing campaign. Marketing by its very nature requires constant change to remain virulent and relevant. While our brand message of "Tough, Smart, Elite Warrior" has not changed in theoretical perspective, 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; our target market.

This year, as in the past, our core programs that generate leads and provide effective sales support materials are augmented with several innovative programs. The new Marines.com Web site is already attracting attention and recently received a Gold "ADDY" award from the American Advertising Association in the Southeast regional competition. The new Public Service Announcement, "Origins," was also recognized with a Bronze "ADDY" award in the same competition.

All aspects of our marketing strategy encompass diversity. It is this approach, combined with exploiting success of past years, that will sustain success in fiscal year 2003.

Achieve the Next Level of Organizational Efficiency and Effectiveness

The structure of our recruiting organization is an essential foundation for success, particularly in operating effectively and efficiently. Therefore, we have completed the reorganization of Marine Corps Recruiting Command (MCRC) Headquarters to mirror that of our subordinate commands and other operational commands in the Marine Corps. In fiscal year 2002, MCRC assumed responsibility for prior service Reserve recruiting operations, to truly become a total force recruiting service. Combining Reserve prior service recruiting with regular recruiting produces a synergistic effect, which allows MCRC to "by all means available" seek out and close with our target market, in the face of uncertain economic and world political events.

Recruit the Recruiter

Because recruiters who volunteer for this demanding duty perform better and subsequently experience a better quality of life, MCRC has taken some cost effective measures to recruit our own recruiters. Incorporating some of the marketing techniques and web design that have supported our regular recruiting efforts, we have been able to reach out to the remainder of the Marine Corps with a message capturing the benefits and rewards of recruiting duty. As a result of this "Recruit the Recruiter" initiative, our recruiter volunteer rate in fiscal year 2002 rose by nearly 10 percent over that realized in previous years.

Safety and Quality of Life

Marine Corps recruiting remains committed to improving the health and safety of all marines, sailors, civilian marines, and members of the officer and enlisted entry pools. Operational risk management and traffic safety are emphasized at all levels and in both on and off duty activities. Our goal is to continue to attain the

recruiting mission while minimizing risk, and the potential for loss of life and equipment.

Continuous improvement in quality of life for our personnel is vitally important as well. Our marines and families are dispersed throughout America, away from the traditional support systems of our bases and stations. Therefore, we expend great effort to ensure awareness of numerous support programs adapted for their benefit. One such program is a DOD pilot, MCCS One Source, being offered Marine Corps wide. MCCS One Source offers assistance, advice, and support on a wide range of everyday issues. This 24/7, 365 day-a-year, enhanced employee assistance service can be accessed anytime via toll free numbers, email, or the Internet and is especially useful for remote marines, such as recruiters.

Our success in recruiting hinges on our recruiters whose efforts and dedication to the task provide our institution with its next generation of warriors. Our recruiters are the Corps' ambassadors to the American public and represent the virtues of the Marine Corps in a single individual.

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 our 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 operational 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

Our enlisted force is the backbone of our Corps and we make every effort to retain our best people. Although we are experiencing minor turbulence in some specialties, the aggregate enlisted retention situation is extremely encouraging. Primarily because these young Marines remain in high demand in the civilian sector, some shortages exist in high-tech Military Occupational Specialties that represent an important part of our warfighting capability.

We are a young force, making a continued flow of quality new accessions of foundational importance to well-balanced readiness. Of the 156,912 active duty enlisted force, over 25,000 are still teenagers and 104,000 are on their first enlistment. As noted at the outset, in fiscal year 2003 we will reenlist approximately 26 percent of our first term eligible population. These 6,014 marines represent 100 percent of the career force requirement and will mark the 10th consecutive year that the Corps will achieve this objective. Prior to fiscal year 2002, we recognized a slight increase in the number of first term marines that we needed to reenlist. To counter this rising first term reenlistment requirement, the Corps focused greater attention on retaining marines during their 6th through 12th years of service. Specifically, in fiscal year 2002 we introduced the Subsequent Term Alignment Plan (STAP) to focus on retaining experience. The first year of STAP proved to be a huge success meeting our goals and achieving a 96 percent MOS match. A stabilized continuation rate ensures manageable requirements for first term reenlistments. Given the strong draw from the civilian sector, further emphasis in retention of our career force was achieved by effectively targeting 40 percent of our Selective Reenlistment Bonus program resources to maintain this experience level on par with previous years.

A positive trend is developing concerning our first term non-Expiration of Active Service (EAS) attrition. As with fiscal years 2001 and 2002, we continue to see these numbers decrease. The implementation, now nearly 7 years ago, of the Crucible and the Unit Cohesion programs is contributing to improved retention among our young marines who assimilate the cultural values of the Corps earlier in their career. The impact of lower non-EAS attrition allowed a reduced accession mission in both fiscal year 2002 and fiscal year 2003.

The Marine Corps fully expects to meet our aggregate personnel objectives, and we continue to successfully maintain the appropriate balance of first term and career marines. The management of youth and experience in our enlisted ranks is critical to our success and we are pleased with the accomplishments thus far.

Specialty shortages are addressed with the highly successful Selective Reenlistment Bonus (SRB) program. Shortages persist in some highly technical specialties,

such as intelligence, data communications experts, and air command and control technicians. The Marine Corps allocated $51.7 million in fiscal year 2003 toward new SRB payments to assist our reenlistment efforts. These payments, just one-half of 1 percent of our manpower personnel budget, are split 60/40 between first term and career force reenlistments, respectively. The SRB program greatly complements reenlistment efforts and clearly improves retention within our critical skill shortages. In fiscal year 2003, the Corps continues to pay lump sum bonuses, thus increasing the net present value of the incentive and positively influencing highly qualified, yet previously undecided, personnel. It is a powerful incentive for the undecided to witness another marine's reenlistment and receipt of his/her SRB in the total amount. With the added benefit of the Thrift Savings Program, our marines can now confidently invest these funds toward their future financial security.

Officer Retention

Overall, officer retention continues to experience great success. In fiscal year 2002, our aggregate officer retention rate reached an 18-year high of 92.8 percent. The significant increase in our officer retention rate involves a reduction in voluntary separations. This has likely been positively influenced by the terrorist attacks of September 11 and the current economic conditions. As with the enlisted force, we have some skill imbalances within our officer corps, especially aviation, intelligence, and command and control.

Although we are cautiously optimistic, fixed wing pilot retention remains a concern. Fixed wing pilot "take rates" for the fiscal year 2002 Aviation Continuation Pay plan did not meet retention targets due to an inadequate eligible population resultant from previous years' losses. We will likely meet the aggregate fiscal year 2003 retention target for aviators based on "take rates" from the rotary wing and naval flight officer communities. Retaining aviators involves a concerted effort in multiple areas. Recent retention initiatives (i.e., Marine Aviation Campaign Plan, reducing the time to train, and pay reform) provide corrective steps to strengthen the Marine Corps' position toward retaining aviation officers. Additionally, supplementary pay programs such as Aviation Continuation Pay provide a proactive, long-term aviation career incentive to our field grade aviators. We remain focused on retaining mid-grade aviators (junior majors and lieutenant colonels) and will continually review our overall aviation retention posture to optimize all our resources. Overall, the Marine Corps' officer and enlisted retention situation is very encouraging. Through the phenomenal leadership of our unit commanders, we will achieve every strength objective for fiscal year 2003 and expect to start fiscal year 2004 poised for continued success. Even though managing our retention success offers new challenges—sustaining quality accessions, maintaining the appropriate grade mix, and balancing occupational specialties—we will press forward and effectively manage this process. In this challenging recruiting and retention environment, the Marine Corps remains optimistic and anticipates these positive trends will continue, thanks in large measure to the continued support of Congress.

END STRENGTH

The congressionally-authorized increase in Marine Corps end strength to 175,000 allows us to sustain the increased missions associated with the activation of the 4th Marine Expeditionary Brigade (Anti-Terrorism), in response to the global war on terrorism. As previously noted, we are well along the way in "making" these 2,400 marines. Yet it will take the remainder of fiscal year 2003 to complete this process. This additional end strength allows us to replace marines in the active units that we "borrowed" standing up the Brigade, which not only provides the Nation with a robust, scalable force option specifically dedicated to anti-terrorism, but also a fully mission capable Marine Corps. The timing of the increased end strength could not have been more fortuitous given world events and demand for Marine forces. The increased end strength, our recruiting success, the strong retention of our first term population as well as the career force, our 18-year high retention rate for officers—these factors combine to allow your Marine Corps to be well postured for the uncertain times that lie ahead as we continue to prosecute the war on terror and respond to the call of our Nation.

MARINE CORPS RESERVE—PARTNERS IN TOTAL FORCE

The integration of active and Reserve components of the Marine Air-Ground Task Force (MAGTF) into a Total Force Marine Corps is the foundation of our operational fighting force. We advance this Total Force capability by ensuring the integration of the active and Reserve components in all aspects of our training and operations, to include the primary mission of augmentation and reinforcement. Reserve units

and Individual Ready Reserve Marines provided over 1.8 million man-days in fiscal year 2002 through support at all levels within the Marine Corps and within the Joint communities, to include Joint Task Forces, Combatant Commands, and Interagency Staffs.

Reserve participation in the South American UNITAS exercise, security assistance at Guantanamo Bay, KC–130 support of the 13th MEU (SOC) in Afghanistan, "on call" forces to support the Federal Emergency Management Agency's role in homeland security and support of Joint Task Force 6, and Joint Interagency Task Forces—East and West in our Nation's continued counter drug effort are but a few examples of our Reserve's involvement and commitment to the Total Force effort.

The Marine Forces Reserve will retain their current basic structure. However, we are currently working to transform this structure and create new capabilities through a comprehensive review designed to adapt the Reserve Force to the changing demands of the war on terrorism and conflicts of the future.

Active Duty Special Work

The Active Duty Special Work (ADSW) Program funds short tours of active duty for Marine Corps Reserve personnel. This program continues to provide critical skills and operational tempo relief for existing and emerging augmentation requirements of the Total Force. The demand for ADSW has increased in order to support pre-mobilization activities and will be further challenged during post mobilization. In fiscal year 2002, the Marine Corps executed 907 work-years of ADSW. Continued support and funding for this critical program ensures our Total Force requirements are fully met.

Reserve Recruiting

As presented earlier, fiscal year 2002 marked the first year that Marine Corps Recruiting Command assumed responsibility for recruiting prior service marines. The synergy achieved by placing all Reserve recruiting within Marine Corps Recruiting Command will keep our Reserve Force strong and manned with the proper MOS distribution. The fiscal year 2002 recruiting goals were met, accessing 5,904 non-prior service marines and 4,213 prior service marines. Fiscal year 2002 success in prior service accessions is significant as our active component retention rates are at historic highs, reducing the number of marines leaving active duty and concurrently reducing the pool for prior service recruiting. This successful accession rate reflects the professionalism of our Marine Forces Reserve, a professionalism that attracts these individuals.

Our most challenging recruiting and retention issue is manning our Selected Marine Corps Reserve units with qualified company grade officers—lieutenants and captains. The Marine Corps recruits Reserve officers almost exclusively from the ranks of those officers who have first served an active duty tour. This practice ensures our Selected Marine Corps Reserve unit officers have the proven experience, knowledge, and leadership abilities when we need them the most—during mobilization. However, at the same time, this limits the recruiting pool we can draw from to staff our units. We are attempting to improve Reserve participation of company grade officers through increased recruiting efforts, greater command focus on Reserve participation upon leaving active duty, and Reserve officer programs for qualified enlisted marines.

Marine for Life

The Marine For Life Program is an initiative reinforcing the value of honorable service and commitment to our ethos "Once A Marine, Always A Marine." Annually, we transition back to society nearly 27,000 marines who have served honorably. The Marine For Life Program enhances the transition support for these marine citizens and utilizes our Marine Corps Reserve serving in local communities around the country to act as hometown links. These links build relationships with veteran marines and marine-friendly organizations that have a desire to help transitioning marines. We realize that we will all spend more time as marines out of uniform than we will spend in uniform. Marine For Life embraces this reality, to the benefit of marines and society.

MOBILIZATION

Since the tragic attacks of September 11, the Marine Corps judiciously activated Individual Ready Reserve (IRR) marines in response to both internal and joint operational requirements. The Marine Corps maximized the use of volunteers to meet these requirements, primarily in the areas of staff augmentation and force protection. In addition, Selected Marine Corps Reserve (SMCR) units were activated for force protection requirements in support of homeland security. In late February

2002, the Marine Corps reviewed requirements and reduced the number of reservists on active duty from a high of 4,445 to approximately 3,900. We held this prudent course until early in this calendar year. Due to the emerging requirements associated with the war on terrorism, it was necessary to involuntarily recall some IRRs beginning January 17, 2003. As of March 5, 2003 we have 15,022 marines mobilized; 13,189 SMCR, 1,132 IRRs, 668 Individual Mobilization Augmentees, 25 voluntary retired recalls, and 8 SMCR ADSW-Contingency Operations. For further specificity, we have 404 volunteer IRR marines in their second year of mobilization.

The Marine Corps sincerely appreciates the support of the public and private sector employers of our men and women serving in the Reserve component. Their sacrifices and commitment to these special men and women are exceptional, and often at levels that far exceed their mandates. Without this supportive environment it would be difficult to envision the ability to properly man our critical Reserve Forces.

STOP LOSS

As we did with mobilization, the Marine Corps consciously exercised judicious use of its Stop Loss authority. Between September 11, 2001 and January 15, 2003, the Marine Corps retained only 337 marines beyond their end of active service. At any point in time this number averaged approximately 100. However, driven by prudent planning and a dynamic situation, on January 15, 2003, the Marine Corps instituted Stop Loss across the Corps to meet the emerging requirements associated with the expanding war on terrorism. Stop Loss was initiated to provide unit stability/cohesion, sustain small unit leadership, maintain unit readiness, meet expanded force protection requirements, and to reduce the requirement to activate IRR personnel. We will ensure judicious use of this authority and continue to discharge marines for humanitarian, physical disability, administrative, and disciplinary reasons. We have instructed our general officers to continue to use a common sense approach and have authorized them to release marines from active duty if it is in the best interest of the Marine Corps and the marine. Currently, we have 1,566 active and 2,668 Reserves on Stop Loss. Only 197 of the reservists on Stop Loss have been mobilized.

MANAGING TIME AWAY FROM HOME—(PERSONNEL TEMPO—PERSTEMPO)

The Marine Corps is in compliance with PERSTEMPO legislation, and continues to maintain the OSD tracking and reporting criteria. We remain committed to maintaining the proper balance between operational deployments and the quality-of life of our marines and their families. Having said this, marines join to train and deploy, and we do not disappoint them. Service in the Marine Corps requires deployments for readiness and mission accomplishment. The existing PERSTEMPO legislation is inconsistent with the Marine Corps' expeditionary, forward deployed nature and could have adverse effects on our unit cohesion, stability, training, and readiness. We support changes that retain the original intent of the legislation, better balance the needs of the Services with the needs of the service members and their families, and provide compensation to members for excessive deployments that is better aligned with similar payments for burdensome duties. Currently, we have 382 marines in excess of the 400-day threshold identified in the original legislation.

NATIONAL CALL TO SERVICE

The Marine Corps is working with DOD to establish implementation guidance for the National Call to Service (NCS) requirement contained in the Bob Stump National Defense Authorization Act for Fiscal Year 2003. We desire to link active and Reserve service periods together to meet the needs of the Corps, primarily in the homeland security areas. Marines accessed via the NCS program would serve their 15 months of active duty with the 4th MEB AT Battalion, Chemical Biological Incident Response Force, Marine Security Forces, or base/station AT/FP units. Reserve service would be aligned to the counterpart units of the active component. We are also considering providing a limited number of the NCS accessed marines with training in high demand/low density Reserve MOSs, such as intelligence, linguists, and aerial navigation. These marines would spend their active duty period primarily in training, but then would be assigned to SMCR units where their skills could be readily utilized. We anticipate commencing the recruiting for this program in October 2003.

IT INNOVATION

To properly manage the resources entrusted to us, it is necessary to have and maintain capable tools. Planning for and managing manpower requirements—in-

cluding addressing mobilization challenges, determining stop loss requirements, and tracking PERSTEMPO information mentioned previously—requires effective and relevant automation and IT systems for manpower modeling, manpower management, and personnel servicing. When competing with weapons systems and near term resource requirements, it is easy to bypass proper investment in these management systems. However, though not perfect, we are proud of the portfolio in place to support our manpower processes and are committed in the budget to continuing appropriate reinvestment.

The Marine Corps benefits from a fully integrated pay and personnel system. This system, the Marine Corps Total Force System (MCTFS), incorporates all active, Reserve, and retired pay and personnel records. Having an integrated Total Force System minimizes difficulties for our Reserves as they are mobilized. The MCTFS serves as the foundation for ongoing re-engineering of our administrative occupational field into the Total Force Administration System (TFAS). This TFAS will execute a web-based, virtually paperless self-serve capability for all marines via our web portal, Marine On-Line.

We have also integrated data via MCTFS by leveraging the information contained in the Operational Data Store Enterprise and the Total Force Data Warehouse to create the foundation of a shared data environment. This allows full integration of our digitized personnel files with the Marine Corps promotion board process, giving us the most advanced and comprehensive promotion process among the Services.

In addition, the Marine for Life and Civilian Marine Web sites provide valuable tools to our uniformed and civilian marines. Marine for Life provides an electronic reach back to those Marines who honorably leave the Corps as they return to civilian life. The maturing Civilian Marine Web site will provide a "one-stop" site to allow our civilian marines to manage their careers from their desktops.

CIVILIAN MARINES

Civilian marines are integral to the Corps' Total Force concept. We have approximately 25,000 civilian marines, of which 13,000 are appropriated fund (APF) employees and about 12,000 are nonappropriated fund (NAF) employees. Our APF civilian marines comprise just 2 percent of the total DOD civilian workforce. The Marine Corps has one APF civilian marine per 12 active duty marines. The remaining half of our civilian marines, our NAF personnel, are primarily resourced by revenue-generating activities and services such as exchanges, clubs, golf courses, bowling centers, gas stations, and dry cleaners. Our civilian marines fill key billets aboard Marine Corps bases and stations, thus freeing active duty marines from supporting establishment responsibilities to perform their warfighting requirements in the operating forces.

This past December we introduced our Civilian Workforce Campaign Plan, covering the period 2002–2007, that outlines the Corps' strategy to enhance civilian workforce management and development. As with the challenge faced across the Federal Government, 30 percent of our APF civilian marines will be retirement eligible within the next 5 years. Though we project that just 25 percent of those eligible will retire, our growing retirement eligible population further necessitates prudent planning and consideration. By investing up front in our civilian marine workforce, we believe we can recruit, develop, and retain quality workers in both the near and long term.

To increase the technical expertise and improve career opportunities for our civilian marines, we have established 21 civilian "Communities of Interest" with a senior civilian heading each community. Similar to our military occupational fields, these career communities have identified job competencies and training requirements, and defined career paths. Through a corporate approach to attract, develop, and retain an expert civilian workforce, and with the concentrated effort of the general officers and senior executives in our Corps, we will successfully ensure the needs of the Marine Corps and our civilian marines are met.

We continue to make strides in how we recognize the value of our civilian workforce and its contributions to the success of the Corps. From the symbolic, such as our Marine Corps Civilian Service Pin, to the investment we are making in civilian career and leadership development, our efforts will support our positioning to be the employer of choice.

CARING FOR MARINES AND FAMILIES

The Marine Corps cultivates an ethos of taking care of marines and their families. Our continuum of care begins with the "yellow footprints" at basic training and continues throughout the life of a marine. Marines are marines for life. Legendary hallmarks of "Once A Marine, Always A Marine" and "Semper Fi" prove our long-term

commitment and provide convincing testimony from marines that they are forever changed and a part of a society that is sustained through self-perpetuation and shared culture.

Beyond the superb quality of our recruiters, accomplishment of our recruitment mission is enhanced by our study and knowledge of the demographics of the American public—the potential market for our Corps. As it is with recruiting, our ability to sustain or take care of marines and their families is based on a thorough understanding of Marine Corps demographics. Consider the following facts that outline the Marine Corps as the youngest, most junior, and least married of the four Military Services.

- 66 percent of marines are 25 or younger.
- 27 percent of marines are under 21.
- 42 percent of marines are Lance Corporals (pay grade E3) or below.
- 40 percent of marine spouses are age 25 or younger.
- Average marine is 23 years old at the birth of his/her first child.
- Only 5,300 marines are single parents.
- Average age of a married enlisted marine is 28.
- 44 percent of active duty marines are married.
    - Among Privates and Lance Corporals, 19 percent are married.
    - Among Corporals and Sergeants, 51 percent are married.
    - Among Staff Non-Commissioned Officers, 84 percent are married.

Understanding these marine specific demographics helps us effectively identify needs and target support. It also orients our program planners and ensures we balance the support provided between groups, younger versus older, and married versus single. In this way, we stay connected and maintain our leading edge.

Quality of Life (QOL) in the Marine Corps has been studied for over 10 years. Our third administration of the Marine Corps Quality of Life Study was conducted in 2002 and we are now beginning the hard work of in-depth analysis. The results of this study and our subsequent work are important given the qualitative and quantitative link between QOL satisfaction and recruitment, retention, and readiness. Over the last decade, the Marine Corps, through congressional support, invested resources designed to increase income and standard of living, revitalize housing, and enhance community services for our marines. The living conditions for our marines and families have been objectively improved by almost any measure. Yet, a significant finding from the 2002 study was an "across-the-board" decrease in the QOL satisfaction of marines when compared to measurements from the 1998 QOL Study, most substantial for junior enlisted marines (Sergeant and below).

The reasons for this decline will be closely examined. However, one important finding identified that "expectations" are a relevant dynamic to QOL satisfaction. When measuring QOL satisfaction, we in large part measure the delta between what the Marine Corps provides and the internal expectations marines and their families have as they compare themselves to peers, civilian counterparts, or family members.

Understanding what drives expectations and determining the appropriate response is clearly a challenge in taking care of marines and their families. We accept the challenge and believe that our efforts will help shape the future of QOL support. We expect to gain knowledge of the influence of generational and societal changes on the Marine Corps and the subsequent impact to QOL support and the manner of service delivery. This knowledge will assist with better definition of the "benefit package" provided by the Corps. Additionally, we will assess the relationship of QOL to other human resources strategies to ensure we are achieving our goals.

While it is important to plan for the future of Marine Corps QOL, it is equally important to evaluate the current state. With 63 percent of our operating forces forward deployed, our "taking care" mission is both expeditionary to support them, and fixed at needed levels aboard Marine Corps bases and stations to sustain the marines and families left behind. Depending on the intensity and duration of the deployment or contingency, deployment recreation support kits ("mount out blocks") are provided to meet operational command requirements and can include fitness equipment; sports equipment; electronic equipment; and leisure items. In addition, Tactical Field Exchanges, "theaters in a box," and miscellaneous books and recreational supplies may also be provided to embarked or "in-country" marines depending on the operational command requirements. By February of this year, five Marine Corps Exchange/Army Air Force Exchange Tactical Field Exchanges had been established in Southwest Asia.

When deployed, marines depend upon the Corps to support their families. Our major bases and stations provide the needed comfort and support specifically designed to address the challenges of the military lifestyle. Supporting reservists on

active duty provides an added challenge as their families are spread throughout America. The Key Volunteer Program serves as the official communication link between the deployed command and the families. To build awareness of life in the Marine Corps, our Lifestyle Insights, Networking, Knowledge and Skills (L.I.N.K.S.) Program is provided to new marine spouses to acquaint them with military lifestyle and the Marine Corps. We are currently preparing an online and CD–ROM version of L.I.N.K.S., which we expect to make available early this summer. Special deployment support links have been built on Marine Corps Web sites to connect families and provide information. Finally, we are proud to be the Department of Defense pilot for implementation of an enhanced employee assistance program. Marine Corps Community Services One Source is a 24/7, 365 day-a-year, information and referral service designed to reach both active duty and Reserve families wherever they may be located. It can be accessed anytime via toll free numbers, email, or the Internet. The support includes parenting and childcare, education services, financial information and advice, legal, elder care, health and wellness, crisis support, and relocation. The Corps just implemented its pilot program across the United States and overseas in December 2002. We are excited about the possibility of extended support capabilities and how that will contribute to the well being of marines and their families.

For Marine Corps families, Marine Corps Family Team Building (MCFTB) and other Marine Corps Community Services programs provide support for the whole family: the marine, the spouse, new parents, and children. General counseling, personal financial management assistance, family advocacy programs, and substance abuse avoidance are just some of the support programs available.

Every day, regardless of duty assignment or mission, the Marine Corps takes care of marines and their families. We work hard to provide program support that is relevant to the QOL improvement of marines and their families. In addition, taking care of marines and their families through QOL and community services programs contributes to readiness and thus is relevant to the operating forces. As the Marine Corps is predominantly comprised of young, single, junior marines, we have specifically built programs to support their development and growth.

The Single Marine Program provides needed recreation and stress outlets that are both wholesome and support development of social skills. Just as importantly, the Single Marine Program stresses the responsibility that young single marines have to identify solutions to QOL issues and resolve them through working with the chain of command.

Many young marines joined the Corps for a challenge. This desire for physical and mental challenge is met through our world-class health and fitness program, Semper Fit, and our Lifelong Learning program. Tuition assistance is part of the Lifelong Learning program and in fiscal year 2002, approximately 20,000 marines enrolled in almost 60,000 courses.

Within the Corps taking care of marines and their families is a point of pride and constancy. As the Commandant has charged all marines, we will proceed with boldness, intellect, and confidence in our mission. Today, we know more than we ever have about the demographics and needs of marines and their families. We will use our knowledge of marines and their families to properly frame expectations and forge an even stronger compact that continues to support the legacy of taking care of our own.

CONCLUSION

Through the remainder of fiscal year 2003 and into fiscal year 2004 our Nation will likely remain challenged on many fronts as we conduct the global war on terrorism. Services will continue to be pressed to meet commitments, both at home and abroad. Marines, sailors, airmen, and soldiers are the heart of our Services, our most precious assets, and we must continue to attract and retain the best and brightest into our ranks. Transformation will require that we blend together the "right" people and the "right" equipment as we design our "ideal" force. Manpower associated 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. The DOD is undertaking numerous studies in the area of human resources strategy designed to support an integrated military, civilian, and QOL program, within which we must balance the uniqueness of the individual Services. In some cases a one-size fits all approach may be best, in others flexibility to support service unique requirements may be paramount. Regardless, we look forward to working with Congress to "do what's right" 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 assigned tasks. 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, QOL, 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 227 years. Thank you for the opportunity to present this testimony.

Senator CHAMBLISS. Thank you, General Parks.

General Brown.

STATEMENT OF LT. GEN. RICHARD E. BROWN, USAF, DEPUTY CHIEF OF STAFF FOR PERSONNEL, UNITED STATES AIR FORCE

General BROWN. Mr. Chairman, Senator Nelson, Senator Pryor, it is my honor to come before you to address our current challenges and key initiatives on behalf of the dedicated men and women in the United States Air Force. First and foremost, you need to know our airmen are ready, willing, and able to meet any contingency. Patriotism is high, morale is up, in spite of very high increased tempo.

We exceeded our enlisted recruiting goals and our line officer accession targets in fiscal year 2002, and we expect to do that again here in fiscal year 2003. We found the high OPTEMPO in response to the global war on terrorism has not impacted retention, as one might think. In fact, our retention is healthier than it has been in the last 2 or 3 years.

Much of the credit for this goes to this committee and your staunch support to improve military pay and compensation, and continued support of bonus authorities. I thank you on behalf of every airman.

Today, we continue to face one of our greatest challenges. How do we adapt to what we see as the new steady state of accelerated operations in personnel tempo? We cannot conduct business as usual. We must transform our forces to be successful. One of our top priorities is shaping our force mix with the skills required to make optimal use of our finite personnel resources, which, in fact, is our greatest asset.

This is a complicated and difficult task, and over the long term, we envision that conversion of substantial numbers of military Air Force positions to civilian or contract will enable us to realign military end strength to satisfy our core competency requirements, which are developing airmen, technology for warfighting, and integrating operations.

We will continue to need your support as we work to relieve our most stressed specialties. For example, we recently partnered with the Army to deploy Army National Guardsmen and Reserve Forces to augment Air Force protection force operations. We thank you for this. We thank you for the needed authority, and we thank the Army for their support, and this is just one example of the joint effort we do together.

We continue to develop programs and initiatives that are helping us now and in the future, as we adapt our force to the demands

of the global war on terrorism. We greatly appreciate Congress', and especially this committee's, tremendous support and recognition of our troops by providing them a top-notch quality of life.

I look forward to discussing our challenges and our progress with you. Thank you.

[The prepared statement of General Brown follows:]

PREPARED STATEMENT BY LT. GEN. RICHARD E. BROWN III, USAF

INTRODUCTION

Mr. Chairman and distinguished members of the committee, it is a tremendous honor to appear before you to present our Air Force personnel priorities on behalf of the dedicated men and women of the United States Air Force. Today, we are facing one of our greatest challenges—how we adapt to the new steady state of accelerated operations and personnel tempo. The Secretary of Defense understands we can't conduct business as usual; we must transform our forces for new and unexpected challenges. As part of our transformation process, senior Air Force leadership conducted a complete review of what makes us the preeminent air and space force in the world, our "Core Competencies." They agreed our institutional air and space core competencies are: Developing Airmen, Technology-to-Warfighting, and Integrating Operations. In personnel, we concentrate on developing airmen. Currently, one of our top priorities is shaping our force content with the skills required to make optimal use of finite personnel resources. By concentrating on what constitutes core tasks, we will in turn provide leadership with the critical information needed to free up resources and realign those resources into stressed core warfighting areas.

Developing Airmen: The Heart of Combat Capability

The ultimate source of combat capability resides in the men and women of the Air Force. This competency is fundamentally about transformation—taking our Nation's youth, our citizenry, and shaping them into airmen-warriors. These aspirants represent the full range of our Nation's diversity of culture and geography. Diversity of thought and experience at all levels of the organization unleashes the talents of the total workforce to guard America with patriotism, intelligence, and passion. In spite of disparate backgrounds, these young people grow into one team made up of young airmen and officers. They embrace and internalize our core values. They leave behind that which they were and become, first and foremost, America's airmen. The Air Force helps shape their identity and becomes a way of life. Our civilians also undergo a transformation from mere employees—holders of a job—to civilian airmen who share our core values and our ethos of service. Our total force of active, Guard, Reserve, and civilian personnel represent a large and long-term investment and our most critical asset. While we do this better than anyone, we are currently facing several challenges in getting the right person, with the right training, to the right place at the right time in support of our national security mission.

Challenge: Adapting to New Steady State Workload and TEMPO

The number one crisis we face is "Adapting to the New Steady State" which has both PERSTEMPO/WORKTEMPO and skill mix dimensions. The current OPTEMPO is driving personnel pressures causing uneven workload and deployment taskings. To meet mission requirements after September 11, we mobilized the Air Reserve component (ARC) and implemented Stop Loss. Both mobilization and Stop Loss are very serious actions that pose many difficult challenges for our people and their families. We intentionally built in ARC capability as part of our total force construct to be used when Air Force mission taskings exceeded the capacity of active component forces and available ARC volunteers. We mobilized ARC units according to these deliberate plans. In addition, we activated Stop Loss to enhance our "steady state" accession and retention programs to give us time to fill units with adequate numbers of people possessing the requisite skills and experience needed to operate successfully in the new expeditionary steady state environment. As we adapted to the current OPTEMPO after the tragic events of September 11, we began to demobilize. However, there are areas where the ARC continues to meet Air Force mission needs through extensions of its members, in critical specialties, into their second year of mobilization as we continue to prosecute the global war on terrorism.

The Air Force remains committed to returning our ARC members to their roles as citizen-airmen. For each new mobilization order or extension request, we now require the gaining command to develop and submit to the Assistant Secretary of the Air Force for Manpower and Reserve Affairs (SAF/MR) a plan for accomplishing as-

signed tasks without reliance on long term ARC mobilization. Our current plan is to fill the majority of future requirements with active duty, ARC volunteers and limited period mobilization. If world conditions escalate to a higher level, we plan to invoke Stop Loss for selected career fields beginning with the most stressed.

We are carefully reviewing our Air Force active end strength to ensure it is sufficient to meet missions; we know we have skill mix challenges. To meet these challenges, the Air Force is conducting an extensive manpower review. We critically scrubbed all our functions to determine which ones are needed for success on the battlefield to fulfill our role as being truly expeditionary and deployment-based. We identified candidate positions to help resolve the stressed military career field problem and begin to buy-down manpower requirements associated with new or growing missions in the global war on terrorism. The additional cost to implement these new requirements is under active consideration within our Air Force corporate structure. Over the long term, we ultimately envision that conversion of substantial numbers of military Air Force positions to civilian or contract will enable us to realign military end strength to satisfy our core competency requirements—Developing Airman, Technology-to-Warfighting, and Integrating Operations. The result will be an Air Force that "transforms" into a more flexible, higher tech force—postured for 21st century warfare, and consisting of the right total force mix of active duty, Reserve, Guard, Government civilian, and contract personnel.

Parallel to this review, we developed a formula to quantify stress in each career field. This tool provides the analytical foundation to allow us to begin redirecting manning to the most critical specialties, increasing our training pipelines and expanding our schoolhouses where needed. In addition, we've aggressively pursued accession adjustments during fiscal year 2002–2003 to increase manning in the most stressed specialties. The ARC has identified the need to shift more traditional reservists and guardsmen to full-time status in critically manned career fields (e.g. Security Forces). To relieve the significant burden placed on our Security Forces, both in-garrison and deployed locations, the Secretaries of the Army and Air Force signed a Memorandum of Understanding in December 2002, to deploy Army National Guard and Reserve Forces to augment USAF force protection operations worldwide for a period of 2 years. The temporary authority provided in the National Defense Authorization Act (NDAA) for Fiscal Year 2003 for contractor performance of security-guard functions has helped us meet our increased requirements since September 11, and we thank you for the much needed flexibility. We would appreciate your continued support to allow us to contract for the performance of a firefighting function for a period of 1 year or less to fill vacant positions created by deployed military fire fighters. The end result of our actions is to ensure we have a ready, trained force available to meet the mission needs.

We are also reviewing our manpower requirements determination program in an effort to streamline processes and align with the Air Expeditionary Force construct. This new effort will incorporate a quicker method of determining manpower requirements that focus on wartime capabilities first, and then work back to the home station peacetime requirement. The process turns around our current Cold War in-garrison focus and adapts to the expeditionary nature of today's operations. This will give us increased visibility to any shortfalls or deficiencies in required capabilities. The Secretary of the Air Force has also begun an innovative effort to examine the distribution of airmen assigned to organizations outside the Air Force.

These, and similar initiatives will show us how to adapt our force to the demands of the global war on terrorism, or, alternatively, to provide the compelling rationale needed to justify any increase in end strength. The bottom line is we must reengineer, reorganize, reinvent, rework, and revisit how we utilize active duty military, ARC, civilians, and contractors.

Civilian Issues

Since 1989, we've eliminated or realigned over 100,000 positions as we downsized our civilian force. We constrained civilian hiring to minimize the impact of downsizing on our existing employees. We now have a civilian workforce that requires refreshing and re-skilling. Within 5 years, approximately 42 percent of the officer equivalent civilian force will be eligible to retire either through voluntary retirement or early out—an estimated 20 percent of this force will retire by 2005.

The Air Force is finding it challenging to retain its mid-career employees and to attract younger candidates who possess state-of-the-art technical skills. In addition to positions that have been traditionally hard-to-fill (environmental engineers, bench scientists, medical personnel), we are finding it difficult at specific locations to recruit support personnel such as contracting specialists and aircraft mechanics. One of the factors contributing to civilian recruitment and retention problems is the civilian personnel management system. The current system was developed to meet the

challenges of the early 20th century and cannot quickly or adequately respond to the needs of the 21st century. The hiring process, classification system, pay authorities and performance management programs reflect a different, less technical environment and impede our ability to recruit and retain the best and the brightest.

For several years now, the Department of Defense has been actively testing many management flexibilities, such as pay banding, pay for performance and simplified classification. Acknowledging the success of the demonstration projects and alternate personnel systems, the Under Secretary of Defense for Personnel and Readiness began a review of personnel management flexibilities already in use within the Federal Government. Multi-component, multi-functional work teams and senior functional executives completed this year long review that identified "best practices"—those with the highest rate of success. The Department is now reviewing how to incorporate these best practices.

Challenge: Creating Air and Space Leaders for the 21st Century

Force development is a concept that will guide our investments in human capital. To prepare for the future more ably, we introduced a systemic, deliberate force development construct that develops professional airmen to instinctively leverage their respective strengths in concert. We envision a transition in total force development from rigid, "one size fits all," functionally independent career path pyramids to flexible, competency-based, deliberate development model that rests on institutional needs and requirements and responds to corporate guidance. The force development construct is focused on the systematic, deliberate development of the necessary occupational skills and enduring competencies required to be an effective leader in today's and tomorrow's expeditionary air and space force. As we transform our Cold War structure into an Air and Space Expeditionary Force, it follows that we transition the way we train, educate, promote, and assign our total force for the contingency world we find ourselves in today. Training and development are critical to this transition. Our goal is to invest in all ranks, according to institutional requirements a significant improvement over today's approach to prepare us for the future.

Force development will be executed in three parts—Officer, Enlisted, and Civilian across the active and Reserve components. The construct focuses on training, education, and experience, with special focus on how we assign a member to gain that experience. We will tailor each program to meet the different needs of our varied career paths. We will also design each development program to insure the individual's experience emphasizes a breadth of exposure to the Air Force mission while focusing on the depth of experience an individual needs to perform in his or her functional area of expertise.

Education and Technical Training: Emphasis on Joint Leadership/Warfare

We've been able to meet current challenges and take advantage of advancing technologies because of our investment in education and training. Initial investment and reinvestment in aggressive and innovative initiatives to enhance the abilities and breadth of our force are the keys to our success.

Force development provides individuals with tailored, connected education and training. It focuses on three levels: (1) Tactical—gaining knowledge and experience in primary skill, combined with education and training experiences; (2) Operational—continued widening of experience and increased responsibility within a related family of skills; and (3) Strategic—breadth of experience and leadership perspective at the joint, inter-government, and international levels.

We will develop programs that provide our airmen the opportunity to pursue skill sets and experiences through regional and international study degree programs, foreign languages, and overseas assignments. The Air Force Chief of Staff recognizes we need to produce airmen who are professionally diverse. In his words:

> "The global war on terrorism reinforces the reality that future missions and contingencies will require greater sophistication and understanding of our international security environment. Just as we need pilots, intelligence specialists, satellite operators, and jet engine mechanics, our expeditionary force requires airmen with international insight, foreign language proficiency and cultural understanding. To be truly successful at sustaining coalitions, pursuing regional stability and contributing to multi-national operations, our expeditionary forces must have sufficient capability and depth in foreign area expertise and language skills."

To keep abreast and to prepare for future needs, we increased our funding for graduate education at the Air Force Institute of Technology (AFIT), the Naval Post Graduate School, and civilian institutions beginning in the summer of 2003. Also in August 2002, we initiated the enlisted to AFIT Program. This program offers commanders a diverse and renewable resource of highly proficient career airmen,

technically experienced in career field service and highly educated through resident graduate degree programs, contributing to greater innovation and improved readiness. Another important tool is Advanced Distributed Learning. This program efficiently delivers agile and flexible training and is our "training multiplier." It provides our expeditionary forces anytime, anywhere training using various delivery methods including CD–ROM, paper-based, web-based, and satellite.

Challenge—Sustaining Our Recruiting and Retention Successes

The current recruiting and retention initiatives are imperative to replenishing our force, and they must be fully funded or we risk failing to meet our goals. Our greatest recruiting competition comes from colleges offering numerous financial incentives. In addition, the general public has less military experience than past generations, which makes recruiting more challenging. Increases in advertising, an expanded recruiting force with broader access to secondary school students and competitive compensation prepare the Air Force to meet its recruiting goals. We achieved our fiscal year 2002 enlisted recruiting goals, although we fell short in our technical areas, and are currently on target to meet our goal for fiscal year 2003. For officers, we have met our overall recruiting goals; however, we continue to fall short in scientists and engineers.

Because about one third of our force is eligible to reenlist each year, we continually have an opportunity to influence their decision at key career phase points to or not to reenlist. There are numerous intangible factors such as leadership and job satisfaction, and tangible factors such as pay and compensation and quality of life issues that affect an airman's decision, which we must constantly and proactively manage.

For fiscal year 2002, officer and enlisted retention rates are slightly inflated due to Stop Loss. Our retention is healthy; however, we must continue to monitor our stressed career fields and provide adequate compensation and quality of life initiatives to maintain our capability. Although the current economy doesn't have the pull it did pre-September 11, we anticipate the high OPTEMPO/WORKTEMPO will affect our members' career decision in all components. We are addressing the tempo issues and will continue to monitor pay and compensation as they play a vital role in retaining our enlisted force.

To compensate members for increasing levels of deployments, the NDAA for Fiscal Year 2001 mandated the Services pay a high deployment per diem amount of $100 per day with a progressive monthly allowance. However, the Services suspended payment due to the global war on terrorism, and pursuant to the Presidential Declaration of a National Emergency. As we continue to track tempo, we find that there has been a significant increase in tempo levels across the total force when comparing levels from fiscal year 2001 to fiscal year 2002. For example, on average those who were away from home station were gone 38 days in fiscal year 2001 and 48 days in fiscal year 2002 (21 percent increase). Further, in fiscal year 2001 crews from only 6 of our 38 major weapon systems were away from home station above 25 percent of their available time. In fiscal year 2002 that number increased to 17. Reserve components have seen similar increases. For the ANG there was an increase in days away from home station from 34 to 74 between fiscal year 2001 and fiscal year 2002. In the same timeframe the Air Force Reserves increased from 35 to 66 days. According to our data, if High Deployment Pay were in affect today, 1,586 total force personnel (519 active duty, 403 ANG, 664 Air Force Reserve) would receive High Deployment Pay.

We ask your support in changing the current law to provide the flexibility to compensate members for long and or frequent deployments at thresholds that better meet the Service's unique mission requirements. Our proposal would range from $100–$600 per month; eliminate the current 182-day and 211-day thresholds; and reduce the level of oversight required to the first general in the member's chain of command.

Retention remains a concern for active duty officers in key specialties. The continued downturn in airline hiring will help slow the pull of our experienced pilots to the airlines; however our pilot shortage is projected to continue for at least the next decade until we fully realize the effects of the 10-year active duty service commitment for undergraduate flying training and increased pilot production. We've been able to fill the gap caused by the pilot shortage with navigator rated expertise. Navigators, backfilling for pilots raised overall rated Headquarters level staff manning from 58 percent to 76 percent. However, 48 percent of the current navigator force will be eligible to retire within the next 4 years. We are closely monitoring navigator retention and distribution, especially large numbers of senior navigators on the rated staffs currently or soon to be retirement eligible as well as low produc-

tion year groups. In addition, we have an acute problem with Air Battle Managers driven by extraordinarily high OPTEMPO.

The Air Force has taken a number of steps to address rated shortfalls. We increased the pilot training active duty service commitment to 10 years (8 years prior to 1 Oct 99) and pilot production to a steady state of 1,100 new pilots per year. Legislation such as the Permanent Rated Recall program has allowed nearly 260 pilots to return to active duty in fiscal year 2002, helping to offset rated shortfalls. Bonuses continue to be an effective tool in retaining our members.

For the first time, we are offering Aviation Continuation Pay (ACP) in fiscal year 2003 to select groups of active duty navigators and air battle managers and continue to offer aviation continuation pay bonuses to pilots who have completed their initial pilot training active duty service commitment. In addition, we implemented in fiscal year 2003 the Critical Skills Retention Bonus (CSRB) authorized by the NDAA for Fiscal Year 2001 for the "Big 5" active duty officer specialties (Developmental Engineers, Scientists, Acquisition Program Managers, Comm/Info, and Civil Engineers). The Air Force now is offering $10,000 per year up to 4 years to eligible officers who agree to an active duty service commitment contract; we expect retention to improve by 15 percent or more as a result.

In April 2002, the Air Force completed its initial "re-recruiting" the force test program. The program concentrated on developmental engineers entering critical career decision points. The Air Force is institutionalizing the "re-recruiting" program and expanding it to other critical Air Force specialties such as air battle managers and acquisition managers.

Quality of Life

How our airmen perceive their quality of life directly and fundamentally impacts recruiting and retention. We place intense demands on our mission-focused total force and it is imperative that we provide our airmen and their families with the quality of life they have earned and deserve. We are reviewing our manning and workload to realign resources across the Air Force to alleviate stress on our high demand assets. We seek to improve workplace environments; provide fair and competitive compensation and benefits; provide safe, affordable, and adequate housing; enhance community and family programs; improve educational opportunities; and provide quality health care, as these have a direct impact on our ability to recruit and retain our people and sustain a ready force.

We thank Congress for approving another significant overall pay raise to include targeting for our military personnel in the NDAA for Fiscal Year 2003. We support the proposed pay raise for fiscal year 2004 plus targeting. Targeted pay is important in meeting our toughest retention challenges. In addition, you improved the Basic Allowance for Housing (BAH) rates effective 1 Jan 03, based on 7.5 percent out-of-pocket for the National Median Housing Cost for each grade and dependency status, continuing toward our goal of eliminating out of pocket expenses. The NDAA for Fiscal Year 2003 also authorizes increases in minimum caps on health profession special and incentive pays, increases to Reserve component prior service enlistment bonus amounts, and several additional travel and transportation entitlements that will continue our effort to reduce other out-of-pocket expenses for our military personnel. These critical compensation initiatives are keys to meeting our retention challenges, and directly improve the readiness of our force.

The NDAA for Fiscal Year 2003 also provides many TRICARE initiatives designed to improve the quality of service for our beneficiaries. The NDAA for Fiscal Year 2003 extends TRICARE eligibility to Reserve dependents residing in remote locations without their Reserve sponsors. Additionally, eligibility for the TRICARE Dental Program is expanded to surviving dependents, providing much needed dental benefits to surviving family members. It also approves the use of Medicare providers as TRICARE providers, expanding provider availability to improve beneficiary access to care.

Providing safe and adequate housing enhances readiness and retention. The NDAA for Fiscal Year 2003 included $125 million to construct and renovate more than 1,500 rooms toward the Dormitory Master Plan. Our fiscal year 2004 budget includes nearly $190 million to construct and renovate another 1,900 rooms. We are on track to provide all unaccompanied E–1s to E–4s private rooms on base by 2009. The NDAA for Fiscal Year 2003 also included more than $680 million to replace, improve, and privatize nearly 8,500 family housing units. The fiscal year 2004 budget request includes $700 million to replace, improve, and privatize another 10,500 units. With the exception of only four U.S. locations, the AF will meet OSD's goal to eliminate inadequate housing in the U.S. by 2007.

Programs like child development, child-care, youth programs, fitness centers, libraries, skills development, clubs, golf courses, and bowling centers all offer pro-

grams and services that support and enhance the sense of community and meet our members' needs for relaxation and stress reduction. The Air Force invested nearly $211 million in fitness centers between fiscal year 2000–2003 and will continue this focus with more than $40 million in fiscal year 2004. The Air Force supports its families by setting the standard in providing affordable, quality child-care in child development centers, school age programs, and family child-care homes. Air Force child-care centers and all of its before- and after-school programs for children 6–12 are 100 percent accredited. Over the last 2 years, the Air Force expanded its family child-care program so it can offer free emergency child-care for its members who have to work late, on the weekends, or who experience shift changes. This program also serves parents who are assigned to missile sites and need around-the-clock care. The most recent variation of this program, spurred by Operation Enduring Freedom, provides a limited number of hours of free child-care for members who are returning home after an extended TDY. Beyond these benefits, on-base programs are part of the non-pay benefit system providing savings over the cost members would pay to receive similar services off base.

We strongly support voluntary education; we increased tuition assistance from 75 to 100 percent, provided distance-learning initiatives through the Air Force Portal and civilian institutions, and increased Learning Resource Centers at forward deployed sites. In addition, the NDAA for Fiscal Year 2002 provided the transfer of educational benefits to family members; we began a 1-year test program on 26 Sep 02 to select career fields.

The Air Force continues to support the commissary and exchange as vital non-pay compensation benefits upon which active duty, retirees, and Reserve component personnel depend. Commissaries and exchanges provide: value, service, and support; significant savings on high quality goods and services; and a sense of community for airmen and their families.

Taking a more collaborative approach to community and family service delivery, we created the Community Action Information Board and Integrated Delivery System working groups at Air Staff, MAJCOM, and Installation levels. The Community Action Information Board brings together senior leaders to review and resolve individual, family and installation community issues that impact military readiness and quality of life. The Integrated Delivery System working group brings together all community and family agencies to ensure our military members and their families have access to the services and activities they need. We continue to encourage the use of Air Force Crossroads as an excellent tool to promote community and family programs: www.afcrossroads.com.

Challenge: Seamless Integration of Total Force

We've already touched on the fact that the Guard and Reserve are fully integrated partners of the Air Force—and that we are interdependent on each other for mission accomplishment. Operationally, we've seamlessly integrated the ARC into our business. We've created unit equipped, associate, and blended units and we'll continue to innovate. We must review and streamline the process of mobilization and volunteerism to facilitate the utilization of our ANG and Reserve members. It is important to destroy the Cold War paradigm (and lingering perceptions) of the strategic Reserve "weekend warrior." The next step is to revise our laws, policies, and practices to accommodate the new steady state of the ARC.

The Air Force is working to identify the right force mix and capability to maintain in the active, Guard, and Reserve. The new steady state will require examination of capabilities spread between the active Air Force and the Air Reserve components (e.g. MC–130s, AWACS, CSAR, etc). For example, of the total force realignment of scarce Low Density/High Demand resources, the 939th Rescue Wing's HC–130s and HH–60s will transfer to the active component in order to reduce the PERSTEMPO in the Low Density/High Demand Combat Search and Rescue (CSAR). The transfer of these assets to the active component increased full-time personnel without increasing already high volunteerism rates or having to mobilize a significant number of CSAR reservists. The activation of the 939th Air Refueling Wing, Portland, OR, addresses the need for more aerial refueling assets on the West coast enhancing our ability to rapidly respond to any crisis. The Air Force continues to review our force mix.

Another key component in our strategy is to reduce the complexity of Reserve Force volunteer employment. Our process should consist simply of validating the requirement, and identifying the Reserve resource to meet mission demand, whether that is through volunteerism or mobilization for wartime surge. We are reviewing these issues to determine the optimal use of our active military, ARC, civilian, and contractor mix.

Challenge: Transformation of Air Force Business Practices

The process of transformation begins and ends with people. We are confident in the ability of our warriors to innovate, adapt and lead the enemy in development of operational concepts, doctrine and tactics. Implementing the warfighter's visions through development and delivery of forces, systems and support demands equal flexibility and agility in the Air Force's business operations—our personnel, finance, acquisition, technology, and supply systems. If we are to keep pace with and support innovation in the methods and modes of air and space combat, we must break out of "industrial-age" business processes and embrace "information-age" thinking.

In other words, we must be as business efficient as we are combat effective. We seek—relative to today's status quo:

- An improvement in the effectiveness of operations resulting in higher customer satisfaction ratings;
- A reduction of average process cycle time by 75 percent;
- Work processes and work loads enabling our people to accomplish routine (non-crisis, non-exercise) organizational missions within a 40 to 50 hour work week;
- Empowerment of personnel and enrichment of jobs; and
- A 20 percent shift in business operations resources (dollars and people) to warfighting operations and new/modern warfighting systems.

Fundamentally transforming our application of technology, concepts and organizational structures will produce dramatic results. This departure from business as usual is not a luxury, but a necessity. While we are not a business, many of the challenges we face have been met and mastered in America's private sector. We must adopt their best business practices, "de-layer" our organization, push decisions down to the level best able to make the call, and manage for results.

SUMMARY

The Air Force is the master of warfare in the domain of air and space. We are stressed by the challenges of asymmetric threats, but adapting and innovating to meet these challenges and guarantee success. Regardless of AEF deployment or home station missions, our airmen accomplish their duties with firm commitment and resolute action. We, in turn, are taking action to shape our force for the future under an innovative competency-based force development construct focused on our core competencies. We do this because we know whom we do it for—those who cannot help themselves and those who defend and cherish freedom.

The global war on terrorism has imposed a new steady state of radically accelerated operations and personnel tempo as well as a demand for unprecedented speed, agility, and innovation in adapting to unconventional and unexpected threats. While our tools and technology are impressive, it is our airmen who will fight and win the Nation's wars.

We will continue to rely on Congress as we seek to improve and innovate the total force to meet the challenges of the "new steady state."

Senator CHAMBLISS. Thank you very much. I told the Chiefs the other day, as I get around to visit all the bases around the country, in every branch I continue to be impressed with the quality of young men and women that each of you are recruiting. We are truly getting our fair share of America's finest out of our educational institutions at different levels, and we appreciate your comment about the small part this committee plays, but it is you gentlemen and your leadership that is allowing that to happen. On behalf of all of us we appreciate the great job you all are doing in making our job a lot easier.

General Le Moyne, I want to talk to you about an issue that I have a particular interest in, and that is the situation in Korea with respect to the level of pay. General LaPorte, the Commander of U.S. Forces in Korea, has described the difficult leadership challenge in motivating soldiers to accept orders to Korea, indicating, for example, that officers eligible for command have been prone to retire or resign rather than accept an assignment to Korea.

While both General Schwartz and General LaPorte have emphasized the need for construction of new barracks and family housing, they have underscored the fact that the duty in Korea results in soldiers taking a pay cut in terms of future incentive pays and allowances.

Would the Department support an initiative to increase the compensation given to personnel who are assigned to Korea, and do you have any recommendations on how to best proceed on this particular issue?

General LE MOYNE. Sir, if I may, a couple of points. We have studied this very closely with General LaPorte and his predecessor, and we did have a spike 2 years ago in some declinations of command, but a couple of things to keep in mind. You have a single declination of command in Korea, and that is 5 percent compared to the rest of the Army, and he had a total of five that one year, and it did surprise us.

We took that into consideration and, in fact, we reviewed our command policy and how we slate people for command, and this year there has been a significant change in the declinations to Korea. On average, sir, across the Army, we average about 6 percent declinations of command for lieutenant colonel and colonel level. I think that Korea will come very close to this.

In addition, sir, we have looked at offering to our members of the Armed Forces what we call a high school senior deferment, and so if you come up for orders and you have one of your children in high school who is going to be a senior that following year, it is a no-cost and no-penalty waive, and we defer everything for a year. That is also having a major impact on our success rate.

This carries over into the no-show rate in Korea and, in fact, sir, today, although Korea still is one of our highest no-show rates, but that also includes people we take off orders to send to other priority assignments. Fort Hood and Fort Bragg are higher no-shows than Korea right now. It is averaging about 17 percent total, sir.

On the point about pay, sir, General LaPorte and I have talked about this a number of times in great detail. The point I have made to General LaPorte, sir, is that Korea is not like Bosnia or Kosovo or Macedonia, where they cannot go off the base and they are restricted to just the base. We have recognized the hardship duty that our soldiers take in Korea and, in fact, give them a hardship duty allowance for location, and if you are north of the Han River it is $150 a month, if you are south of it, it is $50 a month.

We are looking at that again, sir, to see, if we should make some adjustments on this. Having said that, sir, it is a joint issue. I have to work this with OSD. I can assure you, sir, we are very sensitive to it. I visit there every year, and I have members of my staff who visit there every quarter.

Senator CHAMBLISS. Admiral Hoewing, I noted with some concern the Navy's request for an additional $326 million in fiscal year 2004 to cover increased costs associated with personnel. This includes work year costs for almost 1,500 sailors, shortfalls in various pays and allowances, and additional funding for a new personnel management system called the Sea Warrior. In your judgment, which are the most pressing requirements that should be funded

by Congress, and are you satisfied that you have the effective means to effectively control these costs in both 2003 and 2004?

Admiral HOEWING. Sir, as we end up fiscal year 2003, we have been operating approximately 2 percent above the end strength floor, and we will enter fiscal year 2004 slightly above the program of record. I would say our most pressing need as we move into fiscal year 2004 will be the requirement for what we call work year funding. There is a difference between end strength, which we have used to manage for many years, and the work years. That is what you actually have to pay sailors.

We manage through the end strength process. What we are finding is that our processes do not necessarily or adequately reflect the work years in order to meet the end strength needs, so these dollars that you mentioned are largely due to work year funding that does not necessarily match the strength as you come down. As you get a little bit smaller, the work years will exceed the end strength costs.

As far as the most pressing, I would say work year funding is the most pressing. You mentioned the Sea Warrior project, of which we are extremely proud. In fact, we have had the opportunity to show this web-based human resource system to some of the staff members so that they would become familiar with it.

This is a very high priority system for us, because it invests in the growth and development and the assignment and the career perspective of each of our sailors, so I would say that that career management system associated with Sea Warrior is also a pressing need for our fiscal year 2004 budget.

Senator CHAMBLISS. Thank you.

Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

Admiral, most members of the Reserve components who are ordered to active duty are being ordered to active duty for a year, with the possibility of being extended longer, and we have been informed that the Navy is issuing multiple 29-day orders to some Navy reservists who agree to serve on active duty. It appears that the Navy is asking them to reschedule all drills for the year into a 29-day block. Issuing orders this way precludes the reservist's family members perhaps from qualifying for TRICARE, and therefore creates some awkward situations for their employers.

Can you tell me, is the Navy practice to encourage reservists to combine all their drills into 29-day blocks so that they can be ordered to active duty?

Admiral HOEWING. Senator Nelson, sir, we have mobilized a majority of our reservists for 1 year and, in fact, one of the things we are very proud of is the fact that when we were in the demobilization process, about a year or so after the September 11 event, we had many of our mobilized reservists that did not, in fact, want to go home. They were just true patriots, and we really appreciate that. We have some reservists that, because they have volunteered to do so, are actually staying more than 1 year, or staying on the second year.

Regarding the 29-day orders, I am going to have to take that question for the record. I do not believe that it is our policy to do that unless we are working with the individual to specifically be

able to group those drill days together in order to help the benefit of the sailor, so let me take that question for the record, and we will get back to you, sir.

Senator BEN NELSON. It would not be to try to negate the qualification under TRICARE. It would be to try to block the time frame to, in fact, help the sailor's interest in becoming part of the Active-Duty Force.

Admiral HOEWING. Yes, sir. We believe that if a sailor does have the opportunity to do his drills together for a longer period of time, there is more synergy associated with that, but I believe there is no intent to avoid having that sailor be able to reap the benefits of the TRICARE process. That would be counter to our ethics.

Senator BEN NELSON. It seems like it would be counterproductive and counter to the efforts that you are taking, so we would appreciate a response, if you would, please.

[The information referred to follows:]

No. Normal training is conducted one weekend a month using drill (IDT) periods, and two weeks a year using Annual Training (AT). However, the Navy recognizes that every naval reservist has unique civilian work schedule requirements, and that their active gaining command may require support throughout the year. Therefore, naval reservists are authorized and many times are encouraged to drill on a "flexible schedule." This may include single or multiple drills during the week, or they may combine drills and other periods of active duty for an extended time of training or contributory support. These blocks of additional active duty for training (ADT) may be as short as 1–2 days for flight training, or 1–3 weeks for school training, or multiple months at time to fill a critical contributory support requirement for a gaining command. Active duty for special work (ADSW) may run for a few weeks up to 179 days. Also, it is Navy policy to mobilize reservists for a period of 365 days. If the requirements for a mobilized reservist change prior to the expiration of their mobilization orders, Navy policy is to either reassign the mobilized reservist to meet other requirements or to demobilize them. In either case, reservists receive full mobilization benefits. Since a 365-day mobilization is so disruptive to a reservist's family and civilian job, when a requirement can be fulfilled by a shorter period of active duty, we will utilize that option. For example, there have been instances where naval reservists performed short duration training periods to meet requirements and take advantage of exceptional training opportunities. There are also instances in which a reservist's contributory support role may require flexibility in performing scheduled drill periods to accommodate the needs of his/her gaining command. None of these variations are in any way intended to prevent or circumvent the reservist from obtaining access to entitlements, including TRICARE.

Senator BEN NELSON. General Brown, obviously we are concerned about reports that the Air Force extended some mobilized reservists for a second year of active duty at the same time the Air Force was releasing active component personnel of the same grade and scale, some of whom left active duty to take the civilian jobs vacated by reservists who were being extended, sort of an interesting turn of events here.

Is the Air Force releasing from active duty active component airmen with the same grade and scales as mobilized reservists who are being extended for a second year?

General BROWN. Sir, when we initiated mobilization right after September 11, we very quickly put on a stop loss for our entire active and Guard and Reserve Air Force. We then analyzed in 60-day increments how long we needed to continue in a stop loss effect, where we effectively take the volunteer force and tell them they cannot separate or retire in their personal plans. We eventually weaned ourselves of stop loss over about a 1-year time period, and

so our stop loss was taken off of our force in about October or so 2002.

Now, we tried to also bring down the mobilization effort, which got up in the neighborhood of around 38,000 airmen, both Guard and reservists, at its high water mark in about June 2002, and we brought almost, the vast majority of those back off of mobilization at the 1-year point. There were some who reextended for a second year. Most of those, because they wanted to extend for a second year, much like what Admiral Hoewing described with the Navy. It was to their benefit.

Now, if it was to an individual's benefit and our force needed that kind of skill, then we extended for a second year. We certainly are now facing somewhere in the next few months, in the late summer, early fall, a point when those folks will hit their 2-year mark and must go home. That is of concern to us, especially in critical skills.

We are on the edge of enacting, potentially—another stop loss in the critical skill areas, which would be the similar skills where we have needed to mobilize, in many of our rated skills, and some of those high-density, low-demand—low-density, high-demand efforts.

I will have to get back with you on specifics and take for the record if there are exact AFSCs and/or ranks mixes where we have released, but did not stop, because I just do not have data that would indicate that problem exists, so I can tell you we are generally very concerned about how we mix the release of the Active Force when we are mobilizing in great numbers the Guard and Reserve.

Senator BEN NELSON. I can appreciate, General, that it is probably a byzantine exercise to try to make it all work appropriately. That is why we will appreciate your getting back to us on that answer.

[The information referred to follows:]

The answer is yes. However, we are addressing two separate and distinctive elements of the law. In its enabling legislation, Congress recognizes the difference between mobilization and Stop Loss. The law specifies mobilization as a pre-condition for Stop Loss (S/L), but allows mobilization to occur on its own. These two force management tools are not welded together because they serve two separate purposes.

Mobilization is effected to augment the Active Force with fully trained, fully equipped and fully manned Reserve component units or UTCs to enhance the combat capability of the Air Force. Reserve personnel are fulfilling their agreement with the Service by being available when their unit (UTC) is mobilized. Reserve personnel, under the current partial mobilization, may be required to remain on active duty for up to 24 months. Mobilization is not initiated because active duty members are separating from the Air Force and need to be replaced. Mobilization is used to meet exigent requirements.

Stop Loss, on the other hand, is a tool the armed services use to ensure units are adequately manned for emergency requirements, and it applies equally to the total force—active, Guard, and Reserve members. By invoking Stop Loss we involuntarily extend the agreement between the Service and the member. We do this to ensure there are adequate numbers of people having the requisite skills, experience, and maturity needed to operate successfully in a wartime, expeditionary environment. Since this is an "involuntary" extension of the agreement, we use Stop Loss as a last resort and strive to lift the restrictions as quickly as practical to preserve the ideals of a "volunteer" force. The good news, many of those individuals previously under the restrictions of Stop Loss choose to re-enlist and stay with the Air Force. For those who have met their obligation and choose to separate, we backfill them with trained individuals who have been recruited by the active, Guard, or Reserve units, accordingly.

Air Force leaders are acutely aware of the stress caused by the continuous mobilization of the ARC. We are committed to reducing the number of ARC units and personnel needed to meet the current emergency. The Assistant Secretary of the Air Force has ordered that every new mobilization order or extension request be accompanied with a plan for accomplishing assigned tasks without reliance on long term mobilization of the ARC. It is also required that a demobilization timeline be included to assure the plan is executed and in compliance with the directive. Air Force leadership is committed to returning our ARC members to their roles as citizen-airmen.

The total force has responded well to the global war on terrorism. Both active and Reserve components have been stretched, and in our policies, we will continue to pursue a balanced and even-handed approach to ensure its viability in the future.

Senator BEN NELSON. General Brown, last week, when asked about Air Force end strength, Secretary Roche testified that there are 12,000 airmen not working for the Air Force, and that he was seeking to have them returned to the Air Force, which seemed an appropriate thing. Do you know what kind of duties these 12,000 airmen might be performing, and where they are if they are not working for the Air Force?

General BROWN. Yes, sir. What our Secretary is referring to—and really all of our Services have a similar pattern. We each would have our own set of numbers. These are, in our case, Air Force people wearing a blue suit uniform who are not working for or in a direct Air Force unit. Now, many of them are doing very important work in a joint command.

Senator BEN NELSON. They could be detailed to another Service, apparently.

General BROWN. They could be in CENTCOM. They might be stationed right now in McDill, or maybe forward in Southwest Asia, or they may be at STRATCOM. Some of these are in Joint Command and some of them are off in some of the agencies, the Defense agencies. Some of them are in other parts of our Nation, in assignments that are listed as duty to be filled by Air Force officers and enlisted, but our Secretary has asked us to review where we have airmen stationed outside of the mainstream Air Force.

All 12,000 will not come back to the Air Force, because we need Air Force presence in many of those, but where we might have too much Air Force presence, or could it be done in some other way, civilian or contractor, or some other effort, we would like to try to get those blue suits back into the tooth and out of tail, which is an effort we are doing within the Air Force also, as well as those outside.

Senator BEN NELSON. General Le Moyne, do you have something you want to add?

General LE MOYNE. Senator Nelson, if I may, sir, because all four of us have scrubbed this hard this past year under OSD guidance. We looked at the personnel, commissioned, noncommissioned, and enlisted who are detailed or pulling duties away from our parent Service, and as General Brown says, those that are on Nation-type duties, those that have been certified are still there.

The ones that are, as we say, detailed on a nonreimbursable basis away from our Services, we have reduced that number. All four of us, over this past year significantly, and in our case, sir, by about half, and we are still working that hard.

Senator BEN NELSON. There is no suggestion that there is something inappropriate about it. There could be a good basis for having

them detailed off somewhere else. We do not suggest that, but I appreciate your answers.

General Le Moyne, it is clear that the Army has a shortage of military police officers. Your active duty military policemen are constantly deployed, and some Reserve and National Guard military policemen have been ordered to take active duty more than once because of the shortage and, of course, we discussed this during our meeting earlier today.

Could you tell the committee what you and Mr. Brown told me this morning about how we got to where we are with respect to MP mobilizations and deployments? What is the Army doing to attempt to correct this shortage?

General LE MOYNE. Thank you, sir, I will.

We build our force structure based upon a procedure that we try to forecast what our Nation's needs are 4 to 10 years in advance, and so we develop a structure to show that, but we have incidents like September 11 that pop up that we had not anticipated to that degree, and we have to, as a result, mobilize some elements of the Armed Forces to a higher number for a longer period of time than we had ever anticipated, and then you run into a problem like we are today, to where MPs are in short supply.

Let me emphasize, MP units. Within the Guard, the Reserve, and the Active Force, the individual MP numbers are very healthy. In the Active Force right now, we are running about 109 percent. We just took the MP Active Force off the stop loss restrictions. Their departure rates are in keeping with historical norms. We did not see a large spike in their departure, as thought. These young men and women served an additional year beyond their obligated service, and they are staying. We anticipate the same thing in the Guard and Reserve.

What we are doing now is, we have added to our force structure in the outyears, starting with 2004, to increase the number of MP units we are going to have on the books. We are looking for, inside our current structure, the units and positions that we can change to give us that structure. That will start in 2004, sir. It is on the books through 2009, and I anticipate it will continue in the outyears.

Senator BEN NELSON. I appreciate your response, General.

Mr. Chairman, those are my questions, and I turn it back to you.

Senator CHAMBLISS. General Brown, I have not followed this issue in detail, but I know that Senator Allard and other Members are concerned that we do not have in the Air Force or the other Services the expertise and experience needed to oversee the development of very sophisticated space systems. I understand that the Air Force was tasked almost 2 years ago in the National Defense Authorization Act for Fiscal Year 2002 to develop a space career field for officers involved in space operations, and the development of space systems, doctrine, and concepts of operations. What is the status of that effort, and why is it taking so long?

General BROWN. Sir, Air Force Space Command and General Lord specifically, who is the Commander of Air Force Space, he is the lead, and has a group that has been meeting on a regular basis and determining exactly how we would come about with a Space Force, and studying the personnel aspects of that.

We have an AFSC today for a space officer. We have missile officers who very often move back and forth from the space and missile business, so we have in existence today a force within our Air Force that cares for and watches the capability of the space business, but taking a report that came from the commission, General Lord is leading the effort, and I know he is, I think very close to sending the report to the Chief of Staff and to the Secretary with some ideas of what we can do different, the ways ahead to make for a better, improved——

Senator CHAMBLISS. Do you have any time line on that report?

General BROWN. Sir, I believe it is within the next 3 to 4 months, and it could be even sooner than that, but I think it is very soon, from one of the reports that I received recently.

Senator CHAMBLISS. Okay. General Parks, you mentioned in your written statement the Marine Corps quality of life study, which I compliment you on having initiated in 2002. I noted, however, the initial analysis of the survey showed an across-the-board decrease in quality of life satisfaction of marines compared to the 1998 study. Can you give us some additional insight into the significance of that finding, and how it should be interpreted, and what is the next step for review of that survey, and when can we expect some responses by the Marine Corps?

General PARKS. I can, sir. What we have found is, just as you outlined from having read my testimony and statement, is that we saw an across-the-board reduction in satisfaction with quality of life. We are now, having only recently received a report, in the process of analyzing that report and trying to determine what were the pertinent reasons behind that. From a speculation standpoint, was it an expectations issue, wherein the individual marine thought they would get something, or had their expectation been much higher than what the reality was?

An example of that could be that when you are satisfied with the Government quarters that you are in, but when you see the private-public venture results of another base across town, or across the country, you realize all of the sudden that the expectation is a lot different from what you are currently looking at.

Another piece is, we are a very young force, as you are aware, and we bring in because of that a youthful population, some call it the millennial generation, whose expectations and ideas of success and what their standard point of departure is much higher. Many terms have been associated with them from the standpoint of the baby-on-board generation, and those who have the soccer moms or dads who continue to reward them, and therefore, the expectations may be higher because of that. That may be a factor that we are dealing with.

We believe that the end product to it is just to ensure that we articulate fully what we provide in our quality of life services, as Dr. Chu alluded to, to provide a social compact that is articulated as to what they can expect, and better present that to them so that in the future, they know what they can expect. We can judge accordingly from that, and how we will resolve it.

As far as the latter part of your question as to when you can expect the results of that, we hope to do that within the next 6

months as we analyze the information and assess what the findings are from our perspective.

Senator CHAMBLISS. Can you give us an update on that at the time you get it?

General PARKS. I would be happy to, sir.

[The information referred to follows:]

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IN REPLY REFER TO:
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M&RA
SEP 08 2003

The Honorable Saxby Chambliss
Chairman
Subcommittee on Personnel
Senate Armed Services Committee
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This responds to your inquiry during my March 13, 2003 testimony before the Personnel Subcommittee of the Senate Armed Services Committee.

Please find attached an information paper describing our assessment of the findings of the *2002 Quality of Life in the U.S. Marine Corps Study*. As was noted during testimony, the study found a decline in the satisfaction of Marines relative to their quality of life in the Corps. Our analysis of this study and related research concludes that the decline in satisfaction, although broad in spectrum, is not substantial in practical terms and is likely the result of generational issues resulting in an increase in expectations relative to the military lifestyle.

The Marine Corps continues to monitor the attitudes and concerns of Marines and family members relative to their quality of life. We remain committed to improving the standard of living in the Corps and ensuring that the "Quality of Life Benefit" is clearly articulated to our Marines and families.

Very respectfully,

GARRY L. PARKS
Lieutenant General, U.S. Marine Corps
Deputy Commandant for
Manpower and Reserve Affairs

Copy to: The Honorable Ben Nelson

12 Aug 03

INFORMATION PAPER

Subject: 2002 Quality of Life (QOL) in the U.S. Marine Corps Study

1. Purpose. To provide the Chairman of the Personnel Subcommittee of the Senate Armed Services Committee an assessment of the factors underlying the findings of the *2002 Quality of Life in the U.S. Marine Corps Study.*

2. Key Points

- The Marine Corps Manpower and Reserve Affairs Department (M&RA) sponsored the re-administration of the Marine Corps QOL survey in February-March 2002. QOL surveys were previously conducted in 1993 and 1998. The intent of the current study was to determine how Marines' perceptions of, and satisfaction with, QOL have changed over the last 10 years (particularly in light of increased DoD and USMC QOL funding). Results from the current survey have been directly compared to the findings of the prior two studies. Of special note, the 2002 study effort included for the first time a separate survey of the spouses of active duty Marines.

- The QOL survey is one of many tools utilized by the Marine Corps to assess the current state of "life in the Corps," as well as to identify emerging trends that bear monitoring or specific corrective action.

- The administration of the USMC QOL survey began in late-February and extended through March 2002. Surveys were administered by the HQMC Study Team or a command representative to approximately 4,800 active duty Marines assigned to USMC bases/stations; via mail to 6,500 active duty Marines not assigned to USMC bases/stations; by Recruiting Station representatives to approximately 3,100 production recruiters; and via mail to 8,000 spouses of active duty Marines. Over 9,500 active duty surveys and 4,184 spouse surveys were received and analyzed by the study contractor, *Decision Engineering, LLC.*

- The most significant 2002 study finding was an "across-the-board" decrease in Marine QOL satisfaction in relation to the corresponding measurements in the 1998 QOL Study. Declines in satisfaction were found in assessments of overall Marine Corps QOL, as well as in measurements of each of the eleven life domains under consideration (i.e., residence, neighborhood, leisure, health, friendships, marriage/intimate relationships, self, income & living standard, relationship with children, relationship with other relatives, job). The satisfaction declines were most substantial for junior enlisted Marines (sergeant and below).

- Although each of the satisfaction decreases reflect a statistically significant change, none can be viewed individually as being "practically" significant. There has not been a wholesale change in Marine QOL satisfaction. As was found in the 1993 and 1998 QOL studies, on average, Marines remain above the neutral point in satisfaction for 10 of the 11 life domains (the only exception being income & standard of living).

- Given the nature of the study objectives (measuring the perceived state of QOL in the Marine Corps), the survey data does not lend itself to specifically identifying the causal factors of the satisfaction decrease. Regardless, broad post-study analysis indicates that generational issues, and their tie to expectations, is the most plausible explanatory factor in the decreasing levels of satisfaction.

- When measuring satisfaction in the QOL Study, we are in large part measuring the gap between the actual Marine Corps standard of living and the QOL expectations of Marines/families relative to their life in the Corps. The greater the gap between expectations and reality, the lower the QOL satisfaction. Most importantly, if expectations and the actual standard of living in the Marine Corps do not change at the same rate, the gap (satisfaction) will change over time.

- There is little doubt that the standard of living in the Marine Corps has improved dramatically over the last decade. With no commensurate increase in Marine QOL satisfaction, it is reasonable to conclude that the growth in QOL expectations of Marines/families outpaced standard of living improvements within the Corps. This trend appears to be most significant for junior enlisted Marines.

- Marine Corps research parallel to the QOL Study has explored the attitudes, values, and beliefs of the most recent generation of Marine recruits (the so-called Millennial Generation). Results of this research indicate that American youth in large part hold exceptionally high lifestyle expectations, particularly in relation to work compensation and benefits. These expectations stem from a developmental environment centered on an exploding American economy characterized by substantial growth in compensation, low unemployment, and a dramatically improved standard of living.

- The nearly exponential growth in the lifestyle expectations of American society is beyond the influence or control of the Marine Corps; regardless, it is likely that these growing expectations will continue to challenge the Corps' (and DoD's) ability to improve QOL in the coming years. The Marine Corps, as well as other military services, must become more adept at operating in an environment of soaring expectations.

- The demographics of the U.S. Marine Corps reflect a much younger population than that of any other Service. Specifically, the Corps today is comprised of 61 percent first term Marines predominantly recruited from the Millennial Generation. Therefore, it is reasonable to conclude that the vast majority of our young Marines reflect the expectations outlined and logically account for the findings of our 2002 QOL Study.

- In interpreting the findings of the QOL Study, the Marine Corps is now focused in the following areas:

  - Maintaining efforts to improve the objective QOL (standard of living) of Marines and families.

  - Helping new Marines to better understand what to expect in the military lifestyle, so our continued efforts in improving QOL gain more traction (i.e., more quickly close the gap between expectations and reality).

  - Clearly articulating the QOL Benefit through the DoD Social Compact effort in order to provide Marines/families a better understanding of what to expect from the Corps.

  - Avoiding the trap of "chasing" expectations; rather, learning to better operate in an environment of ever-increasing expectations (applying resources in consideration of expectations and the implications on manpower outcomes such as retention and readiness).

  - Continuing to keep a pulse on the attitudes and concerns of Marines/families relative to their QOL expectations/concerns (e.g., current Marine Corps Exit Survey).

  - Finally, continuing efforts to share the findings of future research with Congress, DoD leadership, and the other services, particularly relative to the implications of expectations on QOL satisfaction.

- The entire 2002 QOL Study Report, as published by the contractor, is available for review at *www.manpower.usmc.mil*.

Prepared by: Major P. B. Baumgarten
HQMC(MRE), DSN: 278-9517

Senator CHAMBLISS. What did you say, 6 months, you think?

General PARKS. Just estimated it at 6 months, sir.

Senator CHAMBLISS. All right.

Gentlemen, thank you all very much. We appreciate your continued efforts.

We welcome the representatives from The Military Coalition for their participation and testimony today. It is critical we hear the

views of the members you represent so that we can appropriately respond to issues of importance to them. With us today is Joseph Barnes, National Executive Secretary of the Fleet Reserve Association—Mr. Barnes, thank you for being here. Joyce Raezer, Associate Director of Government Relations for the National Military Family Association—Ms. Raezer, thank you for being here. Steve Anderson, Legislative Counsel for the Reserve Officers Association. Mr. Anderson, thank you for being here. James Lokovic, Deputy Executive Director and Director, Military and Government Relations of the Air Force Sergeants Association. Mr. Lokovic, thank you for being here. Dr. Susan Schwartz, Deputy Director of Government Relations/Health Affairs of the Military Officers Association of America. Dr. Schwartz, thank you for being here.

Your prepared statements will be entered into the record, and it is important we get to your specific issues, as we have already consumed a lot of time here, but we appreciate your patience. We thank you for being here, and we look forward to your remarks.

[The prepared statement of the Military Coalition follows:]

PREPARED STATEMENT BY THE MILITARY COALITION (TMC)

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
- 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 Officers Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the Federal Government.

EXECUTIVE SUMMARY—RECOMMENDATIONS OF THE MILITARY COALITION

Active Force Issues

Personnel Strengths and Operations Tempo. The Military Coalition strongly recommends Service end strengths be increased immediately to balance today's operational requirements with the personnel resources needed to perform these missions. The force was already stressed before September 11 and the pace of operations—especially for those serving in low density, high demand skills—has only increased, worsening the operational and personal stresses on active, National Guard and Reserve personnel, and their families.

Pay Raise Comparability and Pay Table Reform. The Coalition urges the subcommittee to restore full pay comparability on the quickest possible schedule and to revise the permanent law that caps annual military pay raises below comparable private sector wage growth, effective in 2007. The Coalition also urges the subcommittee to ignore requests from the administration to cap future military raises. The Coalition believes all members need and deserve annual raises at least equal to private sector wage growth. To the extent targeted raises are needed, the Department of Defense needs to identify the ultimate "objective pay table" toward which the targeted raises are aimed. Specific objectives for inter-grade relationships must be established, publicized, and understood, or members will perceive repeated differential pay raises as unfair. The Coalition is also extremely disappointed that the administration is proposing to cap the pay of NOAA and USPHS officers at 2 percent. The Military Coalition strongly objects to this disparate treatment of members in those uniformed services and urges you to intercede in their behalf with your colleagues on the appropriate oversight committees for NOAA and USPHS personnel.

Basic Allowance for Housing (BAH). The Military Coalition urges the subcommittee to adjust grade-based housing standards to more accurately reflect realistic housing options and members' current out-of-pocket housing expenses. The Coalition further urges the subcommittee to accelerate the plan to eliminate service members' out-of-pocket housing expenses from fiscal year 2005 to fiscal year 2004.

Basic Allowance for Subsistence (BAS). The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent of single members residing in government quarters. As a long-term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E–6 and extending eligibility to lower grades as budgetary constraints allow.

Permanent Change of Station (PCS). The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances in fiscal year 2004 to recognize that the government, not the service member, should be responsible for paying the cost of doing the Government's business.

Education Benefits for Career Service Members. The Military Coalition urges the subcommittee to provide those career service members, who have not had an opportunity to sign up for a post-service educational program, an opportunity to enroll in the Montgomery GI Bill (MGIB).

Family Readiness and Support. The Military Coalition urges improved education and outreach programs and increased childcare availability to ensure a family readiness level and a support structure that meets the requirements of increased force deployments for active, National Guard and Reserve members.

Commissaries. The Military Coalition opposes privatization of commissaries and strongly supports full funding of the benefit to sustain the current level of service for all commissary patrons.

National Guard and Reserve Issues

Support of Active Duty Operations. The Military Coalition urges continued attention to ensuring an appropriate match between National Guard and Reserve Force strengths and missions. The Coalition also urges further improvements to the Soldiers and Sailors Civil Relief Act (SSCRA) to protect National Guard and Reserve families from economic disruption when they are called to extended active duty.

Healthcare for Members of the National Guard and Reserve. The Military Coalition urges making the TRICARE medical program available for members of the National Guard, Reserves, and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. In addition, to further ensure continuity of coverage for family members, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

Selected Reserve Montgomery GI Bill (MGIB) Improvements. Basic benefits under the MGIB program (Title 38) have increased almost 50 percent over the last 3 years,

but during the same period, have not increased, proportionally, in the Reserve MGIB program (Title 10). The Military Coalition recommends that the Reserve MGIB authority be transferred to Title 38 so that those benefits are applied consistently and equitably to all members of the total force.

Tax issues. The Military Coalition urges restoration of full tax-deductibility of non-reimbursable expenses related to military training. The Military Coalition urges authorization of tax credits for employers of National Guard and Reserve employees.

Retirement Credit for All Earned Drill Points. The Military Coalition recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.

Unlimited Commissary Access. The Military Coalition recommends doing away with the 24-visit access cards and extending unrestricted commissary access to members of the National Guard and Selected Reserve.

Academic Protections for Mobilized Guard and Reservists. TMC recommends that the committee endorse legislative proposals to afford academic and financial protections to National Guard and Reserve post-secondary students activated into extended Federal service.

Retirement Issues

Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation. The Military Coalition thanks the subcommittee leaders and members for the National Defense Authorization Act for Fiscal Year 2003 provisions that eliminate the disability offset for combat and operations-related disabilities, and urges continued progress to eliminate the offset for all disabled retirees. The Coalition specifically requests the immediate inclusion of deserving National Guard and Reserve retirees, Early Retirement Authority retirees, and enlisted retirees with high decorations for extraordinary valor—all of whom completed careers and suffered combat, or operations-related, disabilities.

Final Retired Pay Check. The Military Coalition strongly recommends that authority be provided to allow the survivors to retain the final retired pay check received during the month in which the retiree dies. Current policy requires the final check to be returned and a prorata check be reissued based on the number of days the retiree was alive in that final month—an agonizing and arduous experience for many survivors.

Former Spouse Issues. The Military Coalition strongly recommends corrective legislation be enacted to eliminate inequities created through years of well-intended, piecemeal legislative action initiated outside the subcommittee.

Involuntary Separation Pay. The Military Coalition urges reinstatement of involuntary separation pay eligibility for officers twice deferred from promotion who decline continuation to 20 years.

Tax Relief for Uniformed Services Beneficiaries. The Military Coalition urges the subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums and enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long-Term Care.

Survivor Program Issues

Age 62 SBP Offset. The Military Coalition strongly recommends elimination of the age-62 Survivor Benefit Plan annuity reduction. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 451 and H.R. 548.

30-Year Paid-Up SBP. The Military Coalition strongly recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2003.

Active Duty SBP. The Military Coalition recommends that payments of benefits to children of active duty members, who die while serving on active duty, be authorized if the surviving spouse remarries, as is the case for the children of retired members.

Death Gratuity. The Military Coalition strongly recommends the death gratuity paid to survivors of members who die on active duty, be raised from $6,000 to $12,000.

SBP–DIC Offset. The Military Coalition strongly recommends that the current dollar-for-dollar offset of Survivor Benefit Plan (SBP) benefits by the amount of Dependency and Indemnity Compensation (DIC) be eliminated, recognizing that these two payments are for different purposes.

Health Care Issues

Adequate Funding For The Defense Health Budget. The Military Coalition strongly recommends the subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, to include military medical readiness, TRICARE,

and the DOD peacetime health care mission. The Defense Health Budget must be sufficient to provide financial incentives to attract increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

TRICARE For Life Implementation

Claims Processing for Under-65 Medicare-Eligible Beneficiaries. The Military Coalition urges the subcommittee to change the law to require that all Medicare-eligible uniformed services beneficiaries, regardless of age or status, shall be entitled to the same TFL benefits, claims processing treatment, and benefits information notification currently afforded to Medicare-eligible beneficiaries over age 65, effective upon enactment.

Education for Under-65 Medicare-Eligible Beneficiaries. The Military Coalition urges the subcommittee to require DOD to develop a mechanism to inform retiree beneficiaries of the Part B requirement and to continue their TRICARE benefit until the first date their Medicare coverage can take effect, contingent on the beneficiary's participation in the next Part B open enrollment period.

Medicare Part B Penalty. The Military Coalition recommends that individuals who attained age 65 prior to October 1, 2001, who would otherwise be subject to a Medicare Part B late enrollment penalty, should have the ability to enroll in Medicare Part B during a special enrollment period and to have penalties waived.

Dual-Eligible DOD–VA Beneficiaries. The Coalition urges the subcommittee to remain vigilant in its efforts to ensure that military retirees also eligible for VA care should not be forced to make an election between VA and DOD health care and to take further steps to permit dual eligibles access to both systems.

TRICARE Improvements

Distinction between TRICARE Prime and Standard. The Military Coalition urges the subcommittee to focus its primary energies on revitalizing the TRICARE Standard program. To this end, the Coalition recommends requiring that any reports from the Department of Defense, the Comptroller General or other sources specify separate assessments of TRICARE Prime and TRICARE Standard statistics, problems, policies, procedures, and impacts on beneficiaries.

Provider Reimbursement. The Military Coalition requests the subcommittee's support of any means to raise Medicare rates to more reasonable standards and to support measures to address Medicare Part Bs flawed reimbursement formula.

The Military Coalition most strongly urges the subcommittee to institute a pilot project at several locations of varying characteristics to test the extent to which raising TRICARE Standard rates increases the number of providers who are willing to accept new Standard patients.

The Military Coalition urges the subcommittee to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to compensate hospitals for the care of TRICARE beneficiaries.

Network and Standard Provider Availability. The Military Coalition urges the subcommittee to require DOD and its MCSCs to assist Standard beneficiaries in finding providers who will accept new TRICARE Standard patients, including interactive on-line lists and other means of communication.

FEHBP Option. The Military Coalition urges the subcommittee to authorize a demonstration program to test interest, feasibility, and cost-effectiveness of providing uniformed services beneficiaries, family members, retirees and survivors under the age of 65 an option to enroll in FEHBP on the same basis as their Federal civilian counterparts.

Administrative Burdens. The Military Coalition urges the subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.

Prior Authorization. The Military Coalition urges the subcommittee's continued efforts to narrow and ultimately eliminate requirements for pre-authorization.

TRICARE Prime (Remote) Improvements. The Military Coalition requests that the subcommittee authorize TRICARE Prime Remote beneficiary family members to retain their eligibility when moving to another remote area when such move is funded by the government and there is no reasonable expectation that the service member will return to the former duty station.

The Military Coalition urges the subcommittee to expand TRICARE Prime Remote coverage to include reservists called to active duty for 31 to 179 days who reside within MTF catchment areas.

The Military Coalition recommends that subcommittee authorize extension of TRICARE Prime Remote coverage to retirees and their family members and survivors at the same locations where it is established for active duty families.

Healthcare for Members of the National Guard and Reserve. The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserve component and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. Alternatively, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

Coordination of Benefits and the 115 Percent Billing Limit Under TRICARE Standard. The Military Coalition strongly recommends that the subcommittee direct DOD to eliminate the 115 percent billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.

Nonavailability Statements under TRICARE Standard. The Military Coalition strongly recommends that all requirements for Nonavailability Statements be removed from the TRICARE Standard option and that all waivers be eliminated, effective upon enactment. Should the subcommittee deem this impractical at this time, the Coalition urges the subcommittee to build on the maternity care precedent by incrementally eliminating NAS authority for additional kinds of care.

TNEX—TRICARE Next Generation of Contracts. The Military Coalition recommends that the subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs are sought in the implementation process.

Uniform Formulary Implementation. The Military Coalition urges the subcommittee to ensure a robust uniform formulary is developed with reasonable medical-necessity rules along with increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

Fully Implement Portability and Reciprocity. The Military Coalition strongly urges the subcommittee to direct DOD to expend the resources it needs to facilitate immediate implementation of portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

TRICARE Benefits For Remarried Widows. The Military Coalition urges the subcommittee to restore equity for military widows by reinstating TRICARE benefits for otherwise qualifying remarried widows whose second or subsequent marriage ends in death or divorce.

Deduct TRICARE Prime Enrollment Fees From Retiree Pay. The Military Coalition urges the subcommittee to require DOD to implement existing authority to deduct TRICARE Prime enrollment fees from enrollees' retired pay.

Codify Requirement to Continue TRICARE Prime in BRAC Areas. The Military Coalition urges the subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for all uniformed services beneficiaries residing in BRAC areas.

TRICARE Retiree Dental Plan. The Military Coalition urges the subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside overseas.

Commonwealth of Puerto Rico CONUS Designation. The Military Coalition urges the subcommittee to support administrative inclusion of the Commonwealth of Puerto Rico with the CONUS for TRICARE purposes, so that retired beneficiaries in Puerto Rico may be eligible to enroll in TRICARE Prime.

Tax Relief for Uniformed Services Beneficiaries. The Military Coalition urges the subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums paid for TRICARE Prime enrollment fees, TRICARE Standard supplements and FEHBP premiums.

Custodial Care. The Military Coalition recommends the subcommittee's continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the new legislation upon all beneficiary classes, and that beneficiary groups' inputs be sought in the development of implementing regulations.

Personnel Issues

Mr. Chairman, The Military Coalition thanks you and the entire subcommittee for your unwavering support for fair treatment of all members of the uniformed services and their families and survivors. We are most grateful to the subcommittee for its strong support of significant improvements in military pay, housing allowances, and other personnel programs for active, Guard, and Reserve personnel and their families. The Coalition is especially grateful for the subcommittee's support of last year's authority to eliminate the offset of retired pay for veterans' disability compensation for certain disabled retirees, even though the final authority was significantly narrower than we had hoped. These and the many other important provisions of the

National Defense Authorization Act for Fiscal Year 2003 will pay strong retention and readiness dividends in the years ahead.

Congress has clearly made military compensation equity a top priority and has accomplished much over the past several years to improve the lives of men and women in uniform, and their families.

But this year, we have heard recommendations from some in the administration to return to the failed policies of the past by capping future military pay raises below private sector wage growth. Shortchanging compensation for military personnel has exacted severe personnel readiness problems more than once in the last 25 years—problems that led the Joint Chiefs to testify before you in September 1998 about a significant pay gap that threatened the ability to sustain a quality All-Volunteer Force.

Although the President rejected the pay cap proposal this year, we expect it will resurface in the future as it has in the past. When it does, we trust that you will again recognize the fallacy and personnel readiness risks inherent in any such ill-considered recommendation.

Today's reality is simple—the uniformed services still find themselves facing significant personnel challenges, with ever-smaller numbers of service members and their families being asked to incur ever-greater workloads and ever-greater sacrifices. They need relief.

While progress has been made in improving active duty, Guard and Reserve members' compensation and benefit package, the hard fact is that we don't have a large enough force—in any component—to adequately carry out all current missions and still be prepared for new contingencies that may arise elsewhere in the world. In the historical sense of the term, the country no longer has a Reserve Force, as we must routinely use a substantial share of our Reserves to accomplish day-to-day defense missions.

Significant inequities also persist for retirees and survivors, whose service preserved the freedoms we enjoy today. Congress made significant strides in restoring lifetime health coverage for this population, and last year passed significant "first-ever" legislation to eliminate the disability offset for a select group of disabled retirees. But hundreds of thousands of disabled retirees and survivors continue to experience unfair reductions in their retired pay and survivor annuities. Correcting those problems remains a major Coalition priority.

In testimony today, The Military Coalition offers its collective recommendations on what needs to be done to address these important issues and sustain long-term personnel readiness.

Active Force Issues

Since the end of the Cold War, the size of the force and real defense spending have been cut more than a third. In fact, the defense budget today is just 3.2 percent of this Nation's Gross National Product—less than half of the share it comprised in 1986. But national leaders also have pursued an increasingly active role for America's forces in guarding the peace in a very dangerous world. Constant and repeated deployments have become a way of life for today's service members, and the stress is taking a significant toll on our men and women in uniform and their families, as well.

Despite the notable and commendable improvements made during the last several years in military compensation and health care programs, retention remains a significant challenge, especially in technical specialties. While some service retention statistics are up from previous years' levels, many believe those numbers are skewed by post-September 11 patriotism and by Services' stop loss policies. That artificial retention bubble is not sustainable for the long term under these conditions, despite the reluctance of some to see anything other than rosy scenarios.

From the service members' standpoint, the increased personnel tempo necessary to meet continued and sustained training and operational requirements has meant having to work progressively longer and harder every year. "Time away from home" has become a real focal point in the retention equation. Service members have endured years of longer duty days; increased family separations; difficulties in accessing affordable, quality health care; deteriorating military housing; less opportunity to use education benefits; and more out-of-pocket expenses with each military relocation.

The war on terrorism has only heightened already burdensome mission requirements, and operating—and personnel—tempos continue to intensify. Members' patriotic dedication has been the fabric that sustained this increased workload for now, and a temporarily depressed economy also may have deterred some losses. But the longer-term outlook is problematic.

Experienced (and predominantly married) officers, NCOs and petty officers are under pressure to make long-term career decisions against a backdrop of a demand for their skills and services in the private sector, even through the recent economic downturn. In today's environment, more and more service members and their families debate among themselves whether the rewards of a service career are sufficient to offset the attendant demands and sacrifices inherent in uniformed service. They see their peers succeeding in the civilian world, and when faced with repeated deployments, the appeal of a more stable career and family life, often including an enhanced compensation package with far less demanding working conditions, is attractive. Too often, our excellent soldiers, sailors, airmen, and marines are opting for civilian career choices, not because they don't love what they do, but because their families just can't take the stresses any more.

On the recruiting front, one only needs to watch prime-time television to see powerful marketing efforts on the part of the Services. But this strong marketing must be backed up by an ability to retain these talented men and women. This is especially true as the Services become more and more reliant on technically trained personnel. To the subcommittee's credit, you reacted to retention problems by improving military compensation elements. We know you do not intend to rest on your well deserved laurels and that you have a continuing agenda in place to address these very important problems. But we also know that there will be stiff competition for proposed defense budget increases. The truth remains that the finest weapon systems in the world are of little use if the Services don't have enough high quality, well-trained people to operate, maintain and support them.

The subcommittee's key challenge will be to ease service members' debilitating workload stress and continue to build on the foundation of trust that you have established over the past 4 years—a trust that is being strained by years of disproportional sacrifice. Meeting this challenge will require a reasonable commitment of resources on several fronts.

Personnel Strengths and Operations Tempo. The Coalition has been dismayed and deeply disappointed at the Department of Defense's reluctance to accept your efforts to increase Service end strength to meet today's much-increased operations tempo. The Department's response is to attack the problem by freeing up resources to realign to core warfighting skills. While the Department's transformation vision is a great theory, its practical application will take a long time—time we don't have after years of extraordinary OPTEMPO that is already exhausting our downsized forces.

Administration and military leaders warn of a long-term mission against terrorism that will drive more service members' deployment to Central Asia and other foreign countries. The Services simply do not have sufficient numbers to sustain the global war on terrorism, deployments, training exercises, and other commitments, so we have had to recall significant numbers of Guard and Reserve personnel. Service leaders have tried to alleviate the situation by reorganizing deployable units, authorizing "family down time" following redeployment, or other laudable initiatives, but such things do little to eliminate long-term workload or training backlogs, and pale in the face of ever-increasing mission requirements. For too many years, there has always been another major contingency coming, on top of all the existing ones. If the administration does not recognize when extra missions exceed the capacity to perform them, Congress must assume that obligation.

The Coalition strongly believes that earlier force reductions went too far and that the size of the force should be increased, commensurate with missions assigned. The force was already overstrained to meet its deployment requirements before September 11, and since then our forces have absorbed major contingency requirements in Afghanistan and Iraq.

Deferral of meaningful action to address this problem cannot continue without risking serious consequences. Real relief is needed now. With no evidence of declining missions, this can only be achieved by increasing the size of the force.

This is the most difficult piece of the readiness equation, and perhaps the most important under current conditions. Pay and allowance raises are essential to reduce other significant career dissatisfiers, but they can't fix fatigue and rising family separations.

Some argue that it will do little good to increase end strengths, questioning whether the Services will be able to meet higher recruiting goals. The Coalition believes strongly that this severe problem can and must be addressed as an urgent national priority, with increases in recruiting budgets if that proves necessary.

Others point to high reenlistment rates in deployed units as evidence that high operations tempo actually improves morale. But much of the reenlistment rate anomaly is attributable to tax incentives that encourage members to accelerate or defer reenlistment to ensure this occurs in a combat zone, so that any reenlistment

bonus will be tax-free. Retention statistics are also skewed by stop loss policies. Over the long run, past experience has shown that time and again smaller but more heavily deployed forces will experience family-driven retention declines.

Action is needed now. Failing to do so will only deepen the burden of already overstressed troops and make future challenges to sustain retention and recruiting worse.

The Military Coalition strongly recommends restoration of Service end strengths consistent with long-term sustainment of the global war on terrorism and fulfillment of national military strategy. The Coalition supports application of recruiting resources as necessary to meet this requirement. The Coalition urges the subcommittee to consider all possible manpower options to ease operational stresses on active, Guard and Reserve personnel.

Pay Raise Comparability. The Military Coalition appreciates the subcommittee's leadership during the last 5 years in reversing the routine practice of capping service members' annual pay raises below the average American's. In service members' eyes, all of those previous pay raise caps provided regular negative feedback about the relative value the Nation placed on retaining their services.

Unfortunately, this failed practice of capping military raises to pay for budget shortfalls reared its head again earlier this year when the Director of the Office of Management and Budget proposed capping 2004 and future military pay raises at the level of inflation. The Coalition was shocked and deeply disappointed that such a senior officer could ignore 25 years of experience indicating that pay caps lead inevitably to retention and readiness problems. Not only was the proposal ill timed as troops are massed for a potential war with Iraq—it's just bad, failed policy.

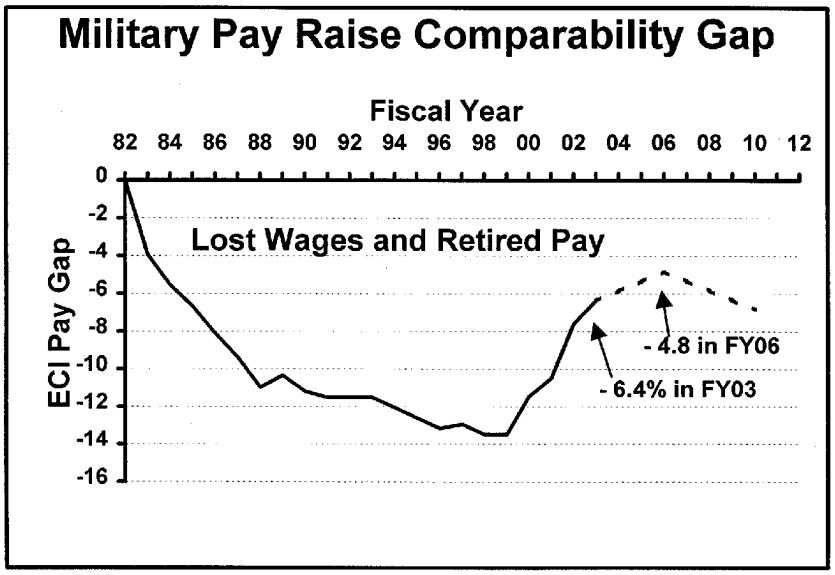
The President rejected his senior budget official's advice for five of the seven uniformed services—but, unfortunately, the administration's budget for fiscal year 2004 proposes to cap the pay of NOAA and USPHS officers at 2 percent. The Military Coalition strongly objects to this disparate treatment of members in those uniformed services. The Coalition urges the subcommittee to intercede in their behalf with colleagues on the appropriate oversight committees for NOAA and USPHS personnel to ensure that these commissioned officers receive the same treatment as their fellow comrades-in-arms.

Pay raise comparability with private sector wage growth is a fundamental underpinning of the All-Volunteer Force, and it cannot be dismissed without severe consequences for national defense.

When the pay raise comparability gap reached 13.5 percent in 1999—resulting in a predictable readiness crises—this subcommittee took responsible action to change the law. Largely because of your efforts and the belated recognition of the problem by the executive branch, the gap has been reduced to 6.4 percent as of 2003.

Fortunately, the President rejected his budgeteers' advice, and has proposed an average 4.1 percent raise for fiscal year 2004, which would shrink the gap another full percentage point to 5.4 percent. Even at that rate, it would take another 5 years to restore full comparability. So this is no time to reinstitute pay caps.

On the contrary, we urge the subcommittee to consider that the law mandating increased military raises will expire in 2006, after which military raises will again be capped one-half percentage point per year below private sector wage growth (see chart below).



The Military Coalition urges the subcommittee to restore full pay comparability on the quickest possible schedule, and to change the permanent law to ensure all future military raises match private sector wage growth, as measured by the Employment Cost Index.

Pay Table Reform. The subcommittee also has worked to address some shortcomings within the basic pay table by authorizing special "targeted" adjustments for specific grade and longevity combinations in recent years. The Coalition has supported these raises to recognize the education and technical expertise of certain career officers and enlisted members. However, the Coalition is concerned about potential perceptions of creating annual "haves and have nots" among members in different grades.

Service members have a right to know and understand the objectives of such differential raises, or they will be perceived as arbitrary, capricious and unfair. Once the objective of such targeting has been achieved, equal-percentage annual raises should be restored for all service members.

The Military Coalition believes all members need and deserve annual raises at least equal to private sector wage growth. To the extent targeted raises are appropriate, the Department of Defense needs to identify the ultimate "objective pay table" toward which the targeted raises are aimed.

Basic Allowance for Housing (BAH). The Military Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. As an example, enlisted members are not authorized to receive BAH for a 3-bedroom single-family detached house until achieving the rank of E–9—which represents only one percent of the enlisted force. TMC believes that as a minimum, this BAH standard should be extended to qualifying service members in grades E–7 and above, immediately.

The Coalition is most grateful to the subcommittee for acting in 1999 to reduce out-of-pocket housing expenses for service members. Responding to the subcommittee's leadership on this issue, the Department of Defense proposed a phased plan to reduce median out of pocket expenses to zero by fiscal year 2005. Through the leadership and support of this subcommittee, these commitments have been put into law. This aggressive action to better realign BAH rates with actual housing costs is having a real impact and providing immediate relief to many service members and families who were strapped in meeting rising housing and utility costs.

We applaud the subcommittee's action, and hope that this plan can be accelerated as we near the completion date. Housing and utility costs continue to rise, and we are years away from closing the existing pay comparability gap. Members residing off base face higher housing expenses along with significant transportation costs.

Relief is especially important for junior enlisted personnel who live off base and do not qualify for other supplemental assistance.

The Military Coalition urges the subcommittee to direct adjustments in grade-based housing standards to more adequately cover members' current out-of-pocket housing expenses and to accelerate the plan to eliminate out of pocket housing expenses from fiscal year 2005 to fiscal year 2004.

Basic Allowance for Subsistence (BAS). The Coalition is grateful to the subcommittee for establishing a food-cost-based standard for BAS and ending the one percent cap on BAS increases. But more needs to be done to permit single career enlisted members more individual responsibility in their personal living arrangements. In this regard, the Coalition believes it is inconsistent to demand significant supervisory, leadership and management responsibilities of noncommissioned and petty officers, but still dictate to them where and when they must eat their meals.

The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent of single members residing in government quarters. As a long-term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E–6 and extending eligibility to lower grades as budgetary constraints allow.

Permanent Change of Station (PCS). The Military Coalition is most appreciative of the significant increases in the Temporary Lodging Expense (TLE) allowance authorized for fiscal year 2002 and the authority to raise PCS per diem expenses to match those for Federal civilian employees in fiscal year 2003. These are very significant steps to upgrade allowances that had been unchanged in over 15 years. Even with these much-needed changes, however, service members continue to incur significant out-of-pocket costs in complying with government-directed relocation orders.

For example, PCS mileage rates have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile—significantly lower than the temporary duty mileage rate of 36 cents per mile for military members and Federal civilians. PCS household goods weight allowances were increased for grades E–1 through E–4, effective January 2003, but weight allowance increases are also needed for E5s and above and officers as well, to more accurately reflect the normal accumulation of household goods over the course of a career. The frequency of PCS moves coupled with the spotty quality record of many carriers requires continued improvements to the household goods movement process, to include an increased emphasis on measurable accountability standards for the evaluation of carriers. In addition, policies are needed to promote full replacement value reimbursements for lost or damaged household goods.

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

Last, 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 service member's PCS orders. The Coalition also believes continuation of and adequate funding for the Relocation Assistance Program is essential.

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 of childrens' schooling, spousal career sacrifices, etc. The Coalition believes strongly that the Nation that requires them to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.

The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances in fiscal year 2004 to recognize that the Government, not the service member, should be responsible for paying the cost of government-directed relocations.

Education Benefits for Career Service members. Active duty career service members who entered service during the VEAP-era (1977—30 June 1985) but who declined to take VEAP are the only group of currently serving members who have not been offered an opportunity to enroll in the Montgomery GI Bill (MGIB). There are about 115,000 service members in this situation. Many actually were discouraged from signing up for VEAP as it was acknowledged to be a woefully inferior program compared to the Vietnam-era GI Bill and the subsequent MGIB that started on 1

July 1985. As the backbone of today's force, these senior leaders are critical to the success of ongoing and pending military operations. When they complete their careers, they should have been afforded at least one opportunity to say "yes" or "no" to veterans' education benefits under the MGIB.

TMC strongly recommends allowing a MGIB sign-up window for career service members who declined VEAP when they entered service.

Family Readiness and Support. The family continues to be a key consideration in the readiness equation for each service member. The maintenance of family readiness and support programs is part of the cost of performing the military mission. We must ensure that families have the opportunity to develop the financial and readiness skills needed to cope with deployment situations. It is important to meet the childcare needs of the military community including National Guard and Reserve members. Overall family support programs must meet the needs of National Guard and Reserve members being called to active duty in ever-increasing numbers.

The Military Coalition urges improved education and outreach programs and increased childcare availability to ensure a family readiness level and a support structure that meets the requirements of increased force deployments for active duty, National Guard and Reserve members.

Commissaries. The fiscal year 2003 budget reduced Defense Commissary Agency funding by $137 million and envisioned eliminating over 2,600 positions from stores and headquarters staff by September 30, 2003. While DeCA indicates there will be no loss in service to the customer, the Coalition is concerned that the size and scope of the reductions may negatively impact quality and service to customers, including additional store closings, reduced hours, longer cashier lines and reduced stock on store shelves. This would have a significantly adverse impact on the benefit, which is widely recognized as a valuable part of the service member's compensation package and a cornerstone of quality of life benefits. As it has in the past, The Military Coalition opposes any efforts to privatize commissaries and strongly supports full funding of the benefit in fiscal year 2004 and beyond.

The Military Coalition opposes privatization of commissaries and strongly supports full funding of the benefit to sustain the current level of service for all commissary patrons.

National Guard and Reserve Issues

The Military Coalition applauds the longstanding efforts of this subcommittee to address the needs of our Nation's National Guard and Reserve Forces, to facilitate the total force concept as an operational reality, and to ensure that National Guard and Reserve members receive appropriate recognition as full members of the Armed Forces readiness team.

Support of Active Duty Operations. National Guard and Reserve members and units shoulder ever-greater day-to-day operational workloads. They increasingly have come to face many of the same challenges as their active counterparts.

Compounding the problem for National Guard and Reserve personnel, their increasing support of day-to-day active duty operations also has placed greater strains on the employers of these members. Employer support was always strong when National Guard and Reserve members were seen as a force that would be mobilized only in the event of a major national emergency. That support has become less and less certain as National Guard and Reserve members have taken longer and more frequent leaves of absence from their civilian jobs. Homeland defense and war-on-terror operations continue to place demands on citizen soldiers that were never anticipated under the total force policy.

The Coalition understands and fully supports the total force policy and the prominent role of the National Guard and Reserve Forces under this policy. Still, the Coalition is concerned that ever-rising operational employment of National Guard and Reserve Forces is having the practical effect of blurring the distinctions between the missions of the active and National Guard/Reserve Forces. National Guard and Reserve members could eventually face resistance with employers and increased financial burdens when activated which would negatively impact their ability to perform assigned missions and reduce their propensity to remain in Reserve service.

The Military Coalition urges continued attention to ensuring an appropriate match between National Guard and Reserve Force strengths and missions.

Healthcare for Members of the National Guard and Reserve. Health insurance coverage has an impact on Guard and Reserve medical readiness and family morale. Progress has been made during transitional periods after call-ups but more needs to be done to provide continuity of care coverage for Reserve component members.

Health insurance coverage varies widely for members of the Guard and Reserve: some have coverage through private employers, others through the Federal Government, and still others have no coverage. Reserve families with employer-based

health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Although TRICARE "kicks in" at 30 days activation, many Guard and Reserve families would prefer continued access to their own health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting.

In 2001, DOD recognized this problem and announced a policy change under which DOD would pay the premiums for the Federal Employee Health Benefit Program (FEHBP) for DOD reservist-employees activated for extended periods. However, this new benefit only affects about 10 percent of the Selected Reserve. As a matter of morale, equity, and personnel readiness, more needs to be done to assist reservists who are being called up more frequently in support of national security missions.

The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserves and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. In addition, to further ensure continuity of coverage for family members, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

SSCRA Issues. The Coalition very much appreciates the subcommittee's approval of the change in law to permit SSCRA protections for National Guard service members activated by State Governors under Title 32, at the request of the President, in support of homeland defense missions.

The Military Coalition recommends that the SSCRA be brought up to date to fully protect Guard and Reserve families from economic calamity.

Selected Reserve Montgomery GI Bill (MGIB) Improvements. Individuals who first become members of the National Guard or Reserve are eligible for the Selected Reserve Montgomery GI Bill (MGIB–SR).

Unlike the basic MGIB authorized under Title 38, the Reserve GI Bill program is governed by Chapter 1606 of Title 10. The problem is that the Reserve MGIB–SR program competes with National Guard and Reserve pay accounts for funding. Over the last 3 years, there have been no increases to MGIB–SR benefits.

During the same period, basic benefits for full-time study under the regular MGIB (Title 38) have gone up 46 percent. In October 2003, the monthly rate will increase to $985.

In addition, the MGIB–SR is paid out of the National Guard and Reserve personnel appropriations, and the Reserve chiefs are forced to absorb any MGIB–SR increases out of these accounts. The Coalition believes that total force equity requires automatic proportional adjustments to the MGIB–SR whenever benefits rise under the regular MGIB. One way to facilitate this objective is to transfer the MGIB–SR program to Title 38.

The Military Coalition recommends transfer of the Reserve MGIB–SR authority from Title 10 to Title 38 to permit proportional benefit adjustments in line with the basic MGIB program and to ensure this program is applied consistently and equitably to all members of the Total Force.

Tax Issues. The Coalition understands that tax matters fall under the purview of a different committee. But there are unique issues affecting members of National Guard and Reserve Forces, and we hope that members of the subcommittee will seek the support of the Ways and Means Committee in addressing them.

Guardsmen and reservists are being asked to train more to enhance their readiness to support contingency missions, and are incurring considerable unreimbursed expenses for such training-related items as travel, overnight lodging, meals and uniforms. Prior to the 1986 tax code revision, these expenses were fully deductible; under current law, they are only deductible to the extent they exceed two percent of adjusted gross income. In a case where the member and spouse combined earn $40,000, the member must absorb the first $800 per year of training-related expenses. A member and spouse earning $30,000 each must absorb $1,200 per year. This is a significant financial penalty for members who serve their country, and needs to be corrected. National Guard and Reserve members should not be required to subsidize their own military training.

The Military Coalition urges the subcommittee's active support for restoration of full tax-deductibility of non-reimbursable drill-related expenses for Guard and Reserve members.

With today's increasing operations tempo, the support of National Guard and Reserve members' employers is more essential than ever. Yet more frequent absence of National Guard and Reserve employees for training or operations is undermining that support, as mentioned above. The subcommittee's help is needed to foster addi-

tional incentives for employers to help offset their costs associated with their employees' military activities.

The Military Coalition urges authorization of tax credits for employers of National Guard and Reserve employees.

Retirement Credit for All Earned Drill Points. The role of the National Guard and Reserve has changed significantly under the total force policy. During most of the Cold War era, the maximum number of inactive duty training (IDT) points that could be credited was 50 per year. The cap has since been raised on three occasions to 60, 75 and most recently, to 90 points in fiscal year 2001. The Coalition is most appreciative of Congress' approval of the increases.

However, the fundamental question is why National Guard and Reserve members are not permitted to credit all the training that they've earned in a given year towards their retirement. The typical member of the National Guard and Reserve consistently earns IDT points above the 90-point maximum. Placing a ceiling on the amount of training that may be credited for retirement serves as a disincentive to professional development and takes unfair advantage of National Guard and Reserve service members' commitment to mission readiness.

The Military Coalition recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.

Unlimited Commissary Access. National Guard and Reserve members are authorized 24 commissary visits per year. Visits are tracked by a cumbersome and costly access card that must be reissued each year by Reserve component commands. The process of issuing, checking, and accounting for these separate cards contradicts DOD's policy of a "seamless, integrated total force" symbolized by the issuance of green ID cards to all members of the Selected Reserve. Because only 35–40 percent of National Guard and Reserve members live close enough to commissary stores to be able to use them conveniently, there is little chance of excessive use by National Guard and Reserve members. In fact, the 24-visit limit is tantamount to full privileges for the vast majority of National Guard and Reserve personnel. Thus, the sole effect of the 24-visit limit is to treat National Guard and Reserve members as second-class citizens and to impose burdensome administrative requirements on Guard and Reserve units. Equal access to commissary stores by the National Guard and Reserve is an imperative that recognizes the increased responsibility of National Guard and Reserve Forces for the national security.

The Military Coalition recommends doing away with the 24-visit access cards and extending unrestricted commissary access to members of the National Guard and Selected Reserve.

Academic Protections for Mobilized Guard and Reserve Service members. TMC is aware of a growing number of cases of denied academic credit, lost academic status, and financial difficulties experienced by student-reservists called to extended active duty. The problem is not new and occurred widely during the Gulf War, but no corrective action has been taken since then. If the Nation is to routinely mobilize large numbers of Guard and Reserve service members, they must be assured of reasonable protections when their academic work is interrupted. Comparable economic and legal protections are available under the Soldiers and Sailors Civil Relief Act and the time has come to authorize similar protections for reservists who lose their academic standing through no fault of their own.

TMC recommends that the committee endorse legislative proposals to afford academic and financial protections to National Guard and Reserve post-secondary students activated into extended Federal service.

Retirement Issues

The Military Coalition is grateful to the subcommittee for its historical support of maintaining a strong military retirement system to help offset the extraordinary demands and sacrifices inherent in a career of uniformed service.

Concurrent Receipt of Military Retired Pay and VA Disability Compensation. The Coalition was disappointed that agreement could not be reached by last year's conference committee to provide unconditional concurrent receipt in the National Defense Authorization Act for Fiscal Year 2003, but appreciates the "first ever" provisions that were provided to eliminate the disability offset for certain retirees who were severely disabled by combat and operations-related incidents. The subcommittee's action to establish a "beachhead" in law is very significant in recognizing that military retired pay and veterans disability compensation are paid for different purposes, and one should not offset the other.

The Coalition has long held that retired pay is earned compensation for completing a career of arduous uniformed service, while veterans disability compensation

is paid for loss of function and future earning potential caused by a service-connected disability.

Previous attempts to fix this inequity have all been met with the same response—the cost is too large. But, the cost to men and women in uniform who have been injured while serving this Nation is far greater. Because of cost concerns, last year's authority was limited to a very special group of disabled retirees—those injured in combat, or other combat related operations. But there are thousands of deserving disabled retirees who have been left behind.

No one disabled in the course of serving his or her country should have to forfeit an earned retirement—for years of faithful and dedicated service—in order to receive VA disability compensation for the wounds, injuries, or illnesses incurred in such service.

The Coalition believes strongly that the 90 percent cosponsorship support that existed in the 107th Congress was inconsistent with the outcome, and that further action is essential to address the grossly unfair financial penalties visited for so long on those who already have suffered most for their country—military retirees disabled as a result of their service.

The Coalition is particularly concerned that, during last-minute final negotiations on the National Defense Authorization Act for Fiscal Year 2003, changes in eligibility language inadvertently omitted three classes of disabled retirees who otherwise fall within the criteria enacted into law.

First, technical language in last year's limited concurrent receipt provision effectively excluded virtually all National Guard and Reserve retirees with 20 years of creditable service and combat-related disabilities. There are many retired reservists who were awarded Purple Hearts and have combat-related disabilities. Their Guard and Reserve status did not protect them from being wounded on the battlefield, and they should not be discriminated against by this legislation.

Second, there are a very limited number of retirees who received nondisability retirements with 15 to 19 years of service during the drawdown of the early 1990s and who also have otherwise-qualifying combat-related disabilities. These members earned their military retirement independently of their disability and should be eligible to receive the special compensation if their disabilities would otherwise qualify.

Finally, enlisted retirees who were awarded one of the top two decorations for valor are authorized an extra 10 percent in retired pay (within the maximum limit of 75 percent of basic pay). The Coalition believes strongly that the modest extra retired pay awarded these members for their combat heroism should not be subject to the disability offset.

The Military Coalition urges subcommittee leaders and members to expand on last year's concurrent receipt provision and eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the subcommittee to amend last year's authority to include certain otherwise-qualifying Guard and Reserve retirees, early retirement authority retirees, and enlisted retirees with high decorations for extraordinary valor.

Final Retired Pay Check. The Military Coalition believes the policy requiring the recovery of a deceased member's final retired pay check from his or her survivor should be changed to allow the survivor to keep the final month's retired pay payment.

Current regulations led to a practice that requires the survivor to surrender the final month of retired pay, either by returning the outstanding paycheck or having a direct withdrawal recoupment from his or her bank account. The Coalition believes this is an insensitive policy coming at the most difficult time for a deceased member's next of kin. Unlike his or her active duty counterpart, the retiree will receive no death gratuity. Many of the older retirees will not have adequate insurance to provide even a moderate financial cushion for surviving spouses. Very often, the surviving spouse has had to spend the final retirement check/deposit before being notified by the military finance center that it must be returned. Then, to receive the partial month's pay of the deceased retiree up to the date of death, the spouse must file a claim for settlement and wait for the military's finance center to disburse the payment. Far too often, this strains the surviving spouse's ability to meet the immediate financial obligations commensurate with the death of the average family's "bread winner."

The Military Coalition strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.

Former Spouse Issues. The Military Coalition recommends corrective legislation be enacted to eliminate inequities in the Uniformed Services Former Spouse Protec-

tion Act (USFSPA) that were created through years of well-intended, piecemeal legislative action initiated outside the subcommittee.

The Coalition supports the recommendations in the Department of Defense'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 survivor benefit plan 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 recommends that the Defense Finance and Accounting Service (DFAS) be required to make direct payments to the former spouses, regardless of length of marriage; the one-year deemed election period for SBP eligibility be eliminated; and if directed by a valid court order, DFAS should be required to deduct SBP premiums from the uniformed services retired pay awarded to a former spouse. 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. TMC 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.

In addition, with the exception of the National Military Family Association and the Association of the United States Army, the Coalition supports legislation planned to be introduced by Rep. Cass Ballenger (R–NC) that would limit the duration of payments to former spouses whose marriage to the service member did not encompass 20 years of the member's uniformed service. This proposal would limit the period of a former spouse's retired pay payments to the number of years the former spouse's marriage overlapped with a retired member's uniformed service. The Coalition believes strongly in the simple equity premise of this legislation—that if a service member must serve 20 years to acquire lifetime retirement benefits, a former spouse should meet the same standard to acquire a lifetime share in those benefits.

The Military Coalition recommends corrective legislation as envisioned by Rep. Ballenger and the proposals submitted by the Department of Defense be enacted to eliminate inequities in the administration of the Uniformed Services Former Spouse Protection Act.

Tax Relief for Uniformed Services Beneficiaries. To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance programs, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing Federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports legislation that would amend the tax law to let Federal civilian retirees and active duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the subcommittee will lend its support to this legislation and help ensure equal treatment for all military and Federal beneficiaries.

The Coalition urges the subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.

Involuntary Separation Pay. A law change enacted in 2000 denies separation pay to officers twice deferred for promotion who decline continuation to 20 years of service.

The Coalition urges the subcommittee to reconsider. This legislation is particularly unfair to officers deferred a second time for promotion to 0–4 (at approximately 13 years of service), who can find themselves coerced into an untenable choice between serving an additional 7 years without advancement opportunities or separating after more than a decade of service without any separation pay. Previously, officers could decline such an offer and still receive separation pay, in recognition of the inconsistency between deeming an officer noncompetitive for advancement in the

military and simultaneously creating financial barriers to allowing the officer to pursue civilian career opportunities.

The Coalition believes such an insensitive practice can only encourage officers to leave service early rather than risk investing 13 years of service and be treated so unfairly if deemed noncompetitive. Perceptions of this unfairness have led to varied applications in different services, which only heightens the inequity.

The Military Coalition urges reinstatement of involuntary separation pay eligibility for officers twice deferred from promotion who decline continuation to 20 years.

Survivor Program Issues

The Coalition thanks the subcommittee for past support of improvements to the Survivor Benefit Plan (SBP); most recently the provision in the National Defense Authorization Act for Fiscal Year 2002 that extended SBP eligibility to members killed on active duty, regardless of years of service. This action helped a great deal in addressing a long-standing survivor benefits disparity.

But serious SBP inequities remain to be addressed. The Coalition hopes that this year the subcommittee will be able to support an increase in the minimum SBP annuity for survivors age 62 and older, and consider a more equitable paid-up SBP implementation schedule for pre-1978 SBP enrollees.

Age-62 SBP Annuity Increase. Since SBP was first enacted in 1972, retirees and survivors have inundated DOD, Congress and military associations with letters decrying the reduction in survivors' SBP annuities that occurs when the survivor attains age 62. Before age 62, SBP survivors receive an annuity equal to 55 percent of the retiree's SBP covered retired pay. At age 62, the annuity is reduced to a lower percentage, down to a floor of 35 percent of covered retired pay. For many older retirees, the amount of the reduction is related to the amount of the survivor's Social Security benefit that is attributable to the retiree's military service. For members who attained retirement eligibility after 1985, the post-62 benefit is a flat 35 percent of covered retired pay.

Although this age-62 reduction, or offset, was part of the initial SBP statute, large numbers of members who retired in the 1970s (or who retired earlier but enrolled in the initial SBP open season) were not informed of it at the time they enrolled. This is because the initial informational materials used by DOD and the Services to describe the program made no mention of the age-62 offset. Thus, thousands of retirees signed up for the program in the belief that they were ensuring their spouses would receive 55 percent of their retired pay for life. Many retirees who are elderly and in failing health, with few other insurance alternatives available at a reasonable cost, are understandably very bitter about what they consider the government's "bait and switch" tactics.

They and their spouses are also stunned to learn that the survivor reduction attributed to the retiree's Social Security-covered military earnings applies even to widows whose Social Security benefit is based on their own work history.

To add to these grievances, the originally intended 40-percent government subsidy for the SBP program—which has been cited for more than two decades as an inducement for retirees to elect SBP coverage—has declined to less than 25 percent. This is because retiree premiums were established in statute in the expectation that retiree premiums would cover 60 percent of expected long-term SBP costs, based on the DOD Actuary's assumptions about future inflation rates, interest rates, and mortality rates. However, actual experience has proven these assumptions far too conservative, so that retiree premiums now cover 75 percent of expected SBP benefit costs. In effect, retirees are being charged too much for the long-promised benefit, and the Government is contributing less to the program than Congress originally intended.

This is not the first time the subsidy has needed to be addressed. After the subsidy had declined to similar low levels in the late 1980s, Congress acted to restore the balance by reducing retiree premiums. Now that the situation has recurred, the Coalition believes strongly that the balance should be restored this time by raising the benefit for survivors.

The chart below highlights another significant inequity—the much higher survivor annuity percentage and subsidy percentage the government awards to Federal civilian survivors compared to their military counterparts.

FEDERAL CIVILIAN VS. MILITARY SBP ANNUITY AND SUBSIDY

[Percent]

	CSRS [1]	FERS [2]	Military
Post-62 percent of Ret Pay	55	50	35
Gov't Subsidy	48	33	25

[1] Civil Service Retirement System
[2] Federal Employees Retirement System

Because service members retire at younger ages than Federal civilians, retired service members pay premiums for a far longer period. The combination of greater premium payments and lower age-62 benefits leave military retirees with a far less advantageous premium-to-benefit ratio—and therefore a far lower Federal survivor benefit subsidy than their retired Federal civilian counterparts.

The National Defense Authorization Act for Fiscal Year 2001 included a "Sense of Congress" provision specifying that legislation should be enacted to increase the SBP age-62 annuity to "reduce and eventually eliminate" the different levels of annuities for survivors age 62 and older versus those for younger survivors. But that statement of support remains to be translated into substantive relief.

The Military Coalition strongly supports legislation sponsored by Sen. Olympia Snowe and Rep. Jeff Miller (S. 451 and H.R. 548, respectively) that, if enacted, would eliminate the disparity over a 5-year period—raising the minimum SBP annuity to 40 percent of SBP-covered retired pay on October 1, 2004; to 45 percent in 2005; and to 50 percent in 2006 and finally to 55 percent in 2007.

We appreciate only too well the cost and other challenges associated with such mandatory spending initiatives, and believe this incremental approach offers a reasonable balance between the need to restore equity and the need for fiscal discipline. The cost could be partially offset by authorizing an open enrollment season to allow currently non-participating retirees to enroll in the enhanced program, with a late-enrollment penalty tied to the length of time since they retired. A similar system was used with the last major program change in 1991.

The Military Coalition strongly recommends elimination of the age-62 Survivor Benefit Plan annuity reduction. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 451 and H.R. 548.

30-Year Paid-Up SBP. Congress approved a provision in the National Defense Authorization Act for Fiscal Year 1999 authorizing retired members who had attained age 70 and paid SBP premiums for at least 30 years to enter "paid-up SBP" status, whereby they would stop paying any further premiums while retaining full SBP coverage for their survivors in the event of their death. Because of cost considerations, the effective date of the provision was delayed until October 1, 2008.

As a practical matter, this means that any SBP enrollee who retired on or after October 1, 1978 will enjoy the full benefit of the 30-year paid-up SBP provision. However, members who enrolled in SBP when it first became available in 1972 (and who have already been charged higher premiums than subsequent retirees) will have to continue paying premiums for up to 36 years to secure paid-up coverage.

The Military Coalition is very concerned about the delayed effective date, because the paid-up SBP proposal was initially conceived as a way to grant relief to those who have paid SBP premiums from the beginning. Many of these members entered the program when it was far less advantageous and when premiums represented a significantly higher percentage of retired pay. In partial recognition of this problem, SBP premiums were reduced substantially in 1991, 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 five more years for relief, or as many retirees believe, waiting for them to die off.

The Military Coalition recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2003.

Active Duty SBP. Active duty SBP provisions in the National Defense Authorization Act for Fiscal Year 2002 gave active duty members a significantly enhanced SBP benefit. However, the law inadvertently set different rules for active duty and retired members and survivors regarding payment of SBP benefits to eligible children. Currently, in the case of survivors of retirees with "spouse and child" coverage, the payments transfer from the spouse to the minor child(ren) if the spouse remarries before the children lose their dependent status. But an inadvertent inconsistency in the fiscal year 2002 law change does not allow such transfer in the case

of a remarriage of a survivor of a member who died on active duty. In such cases, the children can receive SBP payments only if the surviving spouse dies.

Payment of benefits to children should be authorized if the surviving spouse remarries, regardless of whether the member died on active duty or in retirement.

In addition, SBP eligibility should switch to the children if a surviving spouse is convicted of complicity in the member's death.

The Military Coalition recommends authorizing transfer of SBP payments to surviving children in the event that any surviving spouse remarries or is convicted of complicity in the service member's death.

Death Gratuity. The current death gratuity amount was last increased in 1991 when it was raised from $3,000 to $6,000. This amount is insufficient to cover costs incurred by families responding to the death of an active member. The Coalition believes the subcommittee was correct last year in seeking to double the death gratuity and making it tax-free.

The Military Coalition recommends increasing the military death gratuity from $6,000 to $12,000, and making the gratuity tax-free.

SBP–DIC Offset. Currently, SBP survivors whose sponsors died of service-connected causes have their SBP annuities reduced by the amount of Dependency and Indemnity Compensation payable by the VA.

The Coalition believes this offset is not appropriate, because the SBP and DIC programs serve distinct purposes. SBP is a retiree-purchased program, which any retiring member can purchase to provide the survivor a portion of his or her retirement. DIC, on the other hand, is special indemnity compensation to the survivor of a member whose service caused his or her death.

The Coalition believes strongly that the government owes extra compensation ("double indemnity compensation," in essence, rather than "substitute compensation") in cases in which the member's death was caused by his or her service.

Although the survivor whose SBP is reduced now receives a pro-rata rebate of SBP premiums, the survivor needs the annuity, not the premium refund. Award of DIC should not reduce award of SBP any more than it reduces payment of SGLI life insurance benefit.

The Military Coalition recommends eliminating the DIC offset to Survivor Benefit Plan annuities, recognizing that the two compensations serve different purposes, and one is not substitutable for the other.

Health Care Testimony 2003

The Military Coalition is most appreciative of the subcommittee's exceptional efforts to honor the government's health care commitments to uniformed services beneficiaries, particularly for Medicare-eligibles and active duty members and families. These and other subcommittee-sponsored enhancements represent the greatest military health care advancements in a generation and save uniformed services beneficiaries thousands of dollars a year. The Coalition also thanks the subcommittee for its continuing efforts to facilitate improvements in TRICARE claims processing, portability, and access.

However, much remains to be done. Today, we wish to address certain chronic problem areas, and some additional initiatives that will be essential to providing an equitable and consistent health for all categories of TRICARE beneficiaries, regardless of age or geography.

We urge the subcommittee to particularly turn its attention to the situation of beneficiaries under age 65. While the subcommittee has substantially eased cost burdens for Medicare-eligibles and for active duty families in TRICARE Prime and Prime Remote, 3.2 million TRICARE Standard beneficiaries still face increasingly significant provider accessibility challenges.

The Coalition looks forward to continuing its productive and cooperative efforts with the subcommittee's members and staff in pursuit of this common objective.

Adequate Funding for the Defense Health Budget

Once again, a top Coalition priority is to work with Congress and DOD to ensure full funding of the defense health budget to meet readiness needs and deliver services, through both the direct care and purchased care systems, for ALL uniformed services beneficiaries, regardless of age, status, or location. An adequately funded health care benefit is essential to readiness and the retention of qualified uniformed service personnel.

The subcommittee's oversight of the defense health budget is essential to avoid a return to the chronic underfunding of recent years that led to execution shortfalls, shortchanging of the direct care system, inadequate equipment capitalization, failure to invest in infrastructure and reliance on annual emergency supplemental funding requests as a substitute for candid and conscientious budget planning.

While supplemental appropriations were not required last year, we are concerned that the current funding level only meets the needs of the status quo and does not address the growing requirement to support the deployment of forces to Southwest Asia and Afghanistan. Addressing funding for these increased readiness requirements; TRICARE provider shortfalls and other needs will require additional funding.

The Military Coalition strongly recommends the subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, to include military medical readiness, TRICARE, and the DOD peacetime health care mission. The Defense Health Budget must be sufficient to provide financial incentives to attract increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

TRICARE for Life Implementation

The Coalition is pleased to report that, thanks to this Subcommittee's focus on beneficiaries, TMC representatives continue to be engaged in an OSD-sponsored action group, the TFL Working Group. The Working Group has broadened its scope from its original TFL focus, and has been redesignated accordingly as the TRICARE Beneficiary Panel. The group continues to meet on a regular basis to further refine TFL and tackle other TRICARE beneficiary concerns. We are most appreciative of the positive working relationship that has evolved between the Beneficiary Panel and the staff at TMA. This collegiality has gone a long way toward making the program better for all stakeholders. From our vantage point, DOD continues to be committed to implement TFL consistent with congressional intent and continues to work vigorously toward that end.

The Coalition is concerned that some TFL implementation "glitches" remain. The Beneficiary Panel has provided a much-needed forum to exchange DOD and beneficiary perspectives and identify corrective actions. The majority of issues, especially with regard to TFL claims processing appear to be resolved. The Coalition will continue to work closely with DOD to monitor remaining issues and any others that may arise.

The Coalition has identified certain statutory limitations and inconsistencies that we believe need adjustment to promote an equitable benefit for all beneficiaries, regardless of where they reside.

Claims Processing for Under-65 Medicare-Eligible Beneficiaries. When TFL was enacted, the Coalition believes Congress intended that ALL Medicare-eligible beneficiaries should receive the same benefit and the same claims-processing treatment. Unfortunately, this has not turned out to be the case as DOD has interpreted and implemented the TFL statute.

The Coalition is very concerned about claims processing limitations that persist for the estimated 48,000 under-65 Medicare-eligible population. These TRICARE beneficiaries (who are eligible for Medicare due to disability) continue to be left out of the electronic claims processing—the standard for TFL beneficiaries over 65. Eligibility for automated claims is essential to make TFL work smoothly, since it allows TFL beneficiaries access to any Medicare-participating provider. In this regard, Medicare providers incur no extra paperwork with TFL patients, because Medicare automatically processes the claims to TFL. Without inclusion in the electronic claims process, younger disabled beneficiaries must still find a provider who accepts TRICARE in addition to Medicare, and their providers are still saddled with filing individual paper claims with TRICARE for each episode of care. Since this entails much slower processing and payment, many providers are unwilling to care for under-65 Medicare-eligibles or require payment upfront at the time of service.

House report language accompanying the NDAA for Fiscal Year 2003 (P.L. 107–107) directs DOD to provide Medicare-eligibles under 65 the ability to participate in the electronic claims process and to provide a report by March 31, 2003. However, DOD has shown little initiative to expedite a fix for these deserving beneficiaries. The Department has indicated its intent to delay inclusion of under-65 retired Medicare-eligible beneficiaries in the electronic claim system until the new TRICARE contracts are implemented at some point in 2004. This means disabled Medicare-eligibles under age 65 face a delay of over three years in receiving the benefit of Congress' action. The Coalition believes this situation is extremely unfair and imposes an undue burden on these disabled beneficiaries who most need care and often endure financial hardship because of their disability.

The Military Coalition urges the subcommittee to change the law to require that all Medicare-eligible uniformed services beneficiaries, regardless of age or status, shall be entitled to the same TFL benefits, claims processing treatment, and benefits information notification currently afforded to Medicare-eligible beneficiaries over age 65, effective upon enactment.

Education for Under-65 Medicare-Eligible Beneficiaries. Unlike Medicare-eligibles over the age of 65, disabled beneficiaries under 65 receive no formal communication from DOD about how their TRICARE benefits change upon becoming eligible for Medicare Part B. (Under-65 Medicare eligibles retirees must enroll in Part B in order to keep their TRICARE benefits.)

Many beneficiaries are unaware of this requirement, only to find their TRICARE claims denied when it is discovered they are also eligible for Medicare. The Coalition values TMA's willingness to make good faith payments for these beneficiaries and to provide a 5 day grace period where the claims are paid to date and the benefit is terminated on day five. However, this is not enough. The annual open enrollment season for Medicare is the 1st quarter of the year, with benefits beginning in the 3rd quarter. Therefore, many who are in the greatest need of care are now having their TRICARE benefit terminated and being left in the lurch without coverage until the following July 1st.

The Coalition does not understand why the beneficiary is subsequently cut off from TRICARE before they can get into CMS's arbitrary open enrollment season—especially when they were inadequately informed of the Part B requirement in the first place.

Through the Beneficiary Panel, the Coalition has continued to urge DOD to take a more proactive stance in aggressively educating this group about the benefits changes associated with Medicare eligibility. While the revision of the September 2002 TRICARE Handbook was a monumental effort, the education of dual eligibles about the Part B requirement as stated on page 9 remains woefully inadequate and there still remains NO effort to contact these beneficiaries.

The Military Coalition urges the subcommittee to require DOD to develop a mechanism to inform retiree beneficiaries of the Part B requirement and to continue their TRICARE benefit until the first date their Medicare coverage can take effect, contingent on the beneficiary's participation in the next Part B open enrollment period.

Medicare Part B Penalty. Currently, an estimated 6 percent of the Medicare-eligible beneficiaries residing in the United States would be subject to a Medicare Part B late enrollment penalty if they desire to participate in TFL. The penalty, which increases by 10 percent per year, is particularly onerous for more elderly retirees (principally the veterans of World War I and World War II), lower grade retirees and survivors. Last year, the House passed H.R. 4546 to authorize an open enrollment season to relieve TFL-eligibles from this penalty, recognizing that many older military beneficiaries (especially those residing overseas, where Medicare does not pay) had no previous incentive to enroll in Medicare Part B. Unfortunately, the Senate did not complete action on a similar bill. The Coalition strongly supports this initiative, but recognizes that jurisdiction over any aspect of the Medicare program is outside the purview of the Armed Services Committees. We ask for the subcommittee's support for new legislation to provide for a special enrollment period.

The Military Coalition recommends that individuals who attained age 65 prior to October 1, 2001, who would otherwise be subject to a Medicare Part B late enrollment penalty, should have the ability to enroll in Medicare Part B during a special enrollment period and to have penalties waived.

Dual-Eligible DOD–VA Beneficiaries. The Coalition is very grateful to the subcommittee for the National Defense Authorization Act (NDAA) for Fiscal Year 2002 (P.L. 107–107) provision that prohibits the Secretary of Defense from forcing DOD beneficiaries who are also eligible for Veterans Administration (VA) medical care to choose between DOD and VA care.

We support the subcommittee's rational approach, and its resistance to the efforts of those who would force disabled retirees to choose one system or the other, or who would try to merge parts or all of the two systems. We agree strongly with the subcommittee that the right approach is to avoid trying to solve the government's budgetary and oversight issues by restricting beneficiary options or forcing them into a health care system that was not designed to meet their needs.

However, the Coalition was distressed to learn that Chapter 10, Sec 1.1 and Chapter 13, Section 12.1 of the TRICARE Policy Manual state that when an individual is entitled to VA services because of a service-connected disability and is TRICARE-eligible, the individual must choose the program to use for each episode of care. Once that individual has selected the program of choice, crossover is not permitted for that episode of care. DOD will not care for a TRICARE beneficiary who has been receiving VA care for their service-connected disability for that episode of care. The Coalition appreciates the subcommittee's effort in the NDAA for Fiscal Year 2003 to takes steps to address access for dual-eligible beneficiaries and better define the term "episode of care" for this purpose.

The Coalition contends that dual-eligibles should be allowed access to both systems and the two agencies should resolve reimbursement issues. This situation is

made more complex because of the long waiting times for VA care. The VA has no enforceable access standards to speak of, while Prime beneficiaries have the right to stringent access standards. In addition, the Coalition is not aware of any circumstances where beneficiaries are educated about the limitations in their TRICARE benefit—should they coincidentally have a service-connected disability.

The Coalition rejects DOD's rationale for this egregious policy—which it is allegedly meant to preserve continuity of care. When the Coalition has sought to abolish Nonavailability Statements (NAS) based on continuity of care concerns, DOD vigorously argues the other side of the case.

The Coalition is concerned about the double standard that is in place:

- If you are a service connected disabled Veteran—despite your wishes to be treated elsewhere, continuity of care keeps you out of TRICARE.
- If you are a Standard beneficiary, your desire for continuity of care is disregarded and you are forced into the military's direct care system.
- If you have other health insurance, you can get continuity of care wherever you want, and DOD will bill your other insurance should you use the TRICARE benefit.

The Coalition believes that the reality of the situation is that DOD selectively supports or opposes continuity of care depending on which position is to DOD's financial advantage, regardless of beneficiary inconvenience or continuity of care concerns.

The Military Coalition urges the subcommittee to remain vigilant in its efforts to ensure that military retirees also eligible for VA care should not be forced to make an election between VA and DOD health care and to take further steps to permit dual eligibles access to both systems.

TRICARE Improvements

Access to Care. Access to care is the number one concern expressed by our collective memberships. More and more beneficiaries report that few, if any, providers in their area are willing to accept new TRICARE Standard patients. Enhanced benefits for our seniors and decreased cost shares for active duty beneficiaries will be of little consequence to beneficiaries who cannot find a TRICARE provider.

Distinction between TRICARE Prime and Standard. The Coalition believes that a further distinction must be made between TRICARE Standard and Prime in evaluation of the TRICARE program. Our members report increased problems and dissatisfaction with the Standard benefit that far exceed complaints about Prime. There certainly are success stories to be told about the Prime benefit, but glowing reports from TMA on the Prime benefit in documents such as the TRICARE Stakeholder's Repot obscure the very real and chronic problems with the Standard benefit.

The Coalition thanks the subcommittee for their efforts in Sec. 712 of the NDAA for Fiscal Year 2003 (P.L. 107–314) to require a Comptroller General report evaluating TRICARE network provider instability, along with the effectiveness of the MCSCs' efforts to measure and alleviate the issue. But here again, we are concerned that the report may focus on Prime networks, when the real problem concerns access for over 3.2 million beneficiaries to TRICARE Standard providers. We are hopeful that this report will delve into the unique problems associated with the latter issue.

The Military Coalition urges the subcommittee to focus its primary energies on revitalizing the TRICARE Standard program. To this end, the Coalition recommends requiring that any reports from the Department of Defense, the Comptroller General or other sources specify separate assessments of TRICARE Prime and TRICARE Standard statistics, problems, policies, procedures, and impacts on beneficiaries.

Provider Reimbursement. The Coalition is greatly troubled that because of a flaw in the provider reimbursement formula, the Centers for Medicare and Medicaid (CMS) have cut Medicare fees 9.8 percent over the past 2 years. Changes to the Medicare fee schedule directly affect uniformed services beneficiaries. Since 1991 by statute (10 U.S.C. 1079(h)), DOD is required to establish TRICARE Maximum Allowable Charges (TMAC) based on Medicare's fee schedule. Cuts in Medicare provider payments, on top of providers' increasing overhead costs and rapidly rising medical liability expenses, seriously jeopardizes providers' willingness to participate in government programs like TRICARE and Medicare. Provider resistance is much more pronounced for TRICARE than Medicare for a variety of social, workload, and administrative reasons. Provider groups tell us that TRICARE is the lowest-paying program they deal with, and often poses them the most administrative problems. This is a terrible combination of perceptions if you are a TRICARE Standard patient trying to find a doctor.

The Coalition is seriously concerned that the war on terrorism and the war in Southwest Asia are straining the capacity of the military's direct health care system, as large numbers of medical corps members are deployed overseas. As a result of this increased activation, more and more TRICARE patients will have to turn to the civilian sector for care—thus putting more pressure on civilian providers who already have absorbed significant fee cuts for providing care to TRICARE beneficiaries.

The Coalition firmly believes that our deployed service men and women need to focus on their mission, without having to worry whether their family members back home can find a provider. Uniformed services beneficiaries, their family members, and survivors deserve the Nation's best health care, not the cheapest.

We are grateful that the 108th Congress took action to pass legislation P.L. 108–7 (H.J. Res 2) to increase Medicare and TRICARE payment rates. Congress did the right thing by reversing the erroneous 4.4 percent provider payment cut due to be implemented March 1, 2003, providing a 1.6 percent payment increase and giving the Centers for Medicare and Medicaid (CMS) the authority to fix the flawed Medicare reimbursement formula. The Coalition is aware that jurisdiction over the Medicare program is not within the authority of the Armed Services Committees, but believes it has a particular interest in raising Medicare rates because of the adverse impact of depressed rates on all TRICARE beneficiaries, not just Medicare-eligibles.

The Military Coalition requests the subcommittee's support of any means to raise Medicare rates to more reasonable standards and to support measures to address Medicare Part B's flawed reimbursement formula.

In order to achieve parity and encourage participation, both Medicare and DOD have the ability to institute locality-based rates to account for geographical variation in practice costs as necessary to secure sufficient providers to meet beneficiary needs. DOD has had statutory authority (10 U.S.C. 1097 (b)) to raise rates for network providers up to 115 percent of TMAC in areas where adequate access to health care services is severely impaired.

To date, the Secretary of Defense has resisted using his existing authority to increase participation by raising reimbursement levels. The Coalition is eager to see the evaluation of the use of this authority in the Comptroller General report mandated in Sec. 712 of the NDAA for Fiscal Year 2003 (P.L. 107–314). But here again, the focus on Prime networks can obscure the larger problems with Standard providers.

The Coalition believes that raising TRICARE payment rates to competitive levels with other insurance is essential to solving the TRICARE Standard access problem. We appreciate the cost implications of doing this, and understand the preference in both the executive and legislative branches to focus on administrative issues rather than payment levels. But providers indicate overwhelmingly that it is a money issue. They may be willing to accept low payments from Medicare out of a sense of obligation to the elderly and the volume of elderly patients, and because Medicare has a reasonably reliable electronic payment system. They are not so willing to accept low TRICARE payments.

The Coalition supports past and current efforts to improve TRICARE administrative issues, and believes headway is being made. But providers know, as we do, that these problems have persisted for decades, and they are skeptical about the likelihood of significant change in the near term. Meanwhile, TRICARE beneficiaries need access to doctors, and they should not have to wait years in hopes of getting it.

Other insurance programs pay providers rates that are significantly higher than TRICARE Standard's. The Coalition is very doubtful that access problems can be addressed successfully without raising rates. We believe the only way to assess the merits is to institute a pilot project to test if raising TRICARE Standard payment rates improves access for beneficiaries.

The Military Coalition most strongly urges the subcommittee to institute a pilot project at several locations of varying characteristics to test the extent to which raising TRICARE Standard rates increases the number of providers who are willing to accept new Standard patients.

Medicare has recognized that in order to ensure continued access for its beneficiaries, it must supplement its basic reimbursement rates in a variety of specific areas. This summer, DOD will make an additional step toward the same understanding with a commitment to pay a 10 percent quarterly bonus to both Standard and network providers in Health Professional Shortage Areas (HPSAs).

The Coalition is pleased that DOD plans to make these bonus payments that parallel Medicare's HPSA program. By adapting this plan, DOD makes the same commitment to access for TRICARE beneficiaries, as does Medicare. TRICARE's medi-

cally underserved areas will be the same as those determined by the Secretary of Health and Human Services for the Medicare program.

The Coalition urges the subcommittee to further align TRICARE with the Medicare program by authorizing increased payments to hospitals in areas, which serve a disproportionately large number of TRICARE beneficiaries, thus mirroring Medicare's Disproportionate Share (DSH) payment adjustment. Since TRICARE rates are based upon Medicare, it makes sense that TRICARE follow this supplemental payment concept of Medicare, as it is every bit as important that DOD safeguard access to care for uniformed services beneficiaries as does Medicare.

The Military Coalition urges the subcommittee to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to compensate hospitals for the care of TRICARE beneficiaries.

FEHBP Option. The Coalition is the first to acknowledge the ongoing interest and effort being invested in improving TRICARE. But the Coalition is also frustrated that many of TRICARE's difficulties are chronic ones with which TRICARE beneficiaries have been struggling with for many years. If past experience is any indicator, solving the TRICARE provider access problem is years away from reality. In the meantime, military beneficiaries need an additional option for access to health coverage that larger numbers of providers will accept in all areas of the country.

One "off the shelf" option that is available immediately, with legislative authority, is to allow uniformed services beneficiaries the option of enrolling in the same Federal Employees Health Benefits Program the government already provides for Federal civilian employees and retirees. FEHBP requires a substantial premium payment, so we do not expect military beneficiary participation would be widespread. But an FEHBP option would provide one way for beneficiaries to improve their access to health care immediately, particularly in areas (e.g., Idaho and certain areas of Colorado) where there are virtually no providers accepting new TRICARE patients.

Uniformed services beneficiaries who now have limited access to participating providers should not have to wait years for necessary TRICARE improvements. Authorizing an FEHBP option is one important way to provide them immediate access.

The subcommittee previously authorized a test demonstration for Medicare-eligible beneficiaries, who now are served by TRICARE For Life. Now, the FEHBP option deserves consideration to meet the needs of younger beneficiaries who are having difficulty using their TRICARE coverage.

The Military Coalition urges the subcommittee to authorize a demonstration program to test interest, feasibility, and cost-effectiveness of providing uniformed services beneficiaries, family members, retirees and survivors under the age of 65 an option to enroll in FEHBP on the same basis as their Federal civilian counterparts.

Network and Standard Provider Availability. Large numbers of beneficiaries continue to report increased difficulty locating providers who will accept new TRICARE patients, even though the Department of Defense indicates that the number of TRICARE providers is at near an all-time high.

Clearly, there is a problem with how provider participation is measured and monitored. The current participation metric is calculated as the percent of claims filed on an assigned basis. Nowhere does DOD or its support contractors ask or track whether participating or authorized providers are accepting new patients.

Since participation is fluid, providers are permitted to accept or refuse TRICARE patients on a day-by-day basis; therefore, beneficiaries often must make multiple inquiries to locate a provider who is taking patients on that day.

Allegedly, current TRICARE contracts require MCSCs to help Standard patients find providers, but this is not the actual practice. Further, there is no such requirement in the new TNEX contracts. MCSCs are under no obligation to recruit Standard providers or provide up-to-date lists of Standard providers, leaving beneficiaries on their own to determine if a provider is willing to accept Standard patients. We believe this issue is too critical to depend upon the "chance" that the civilian contractors will voluntarily elect to provide this service in all regions.

As one beneficiary said, "The TRICARE Standard provider handbook list is now the Yellow Pages, and Standard beneficiaries are forced to call provider after provider asking, 'Do you take TRICARE patients?'" Another beneficiary reported, after calling every provider in the area without success, "It's as if doctors are hanging up signs that say 'Dogs and service members not allowed.'"

The Coalition believes MCSCs must have an obligation to assist Standard beneficiaries as well as Prime beneficiaries. Options may include providing interactive on-line lists of Standard providers, with indications of which ones are currently accepting new Standard patients. Where a beneficiary cannot find a provider, the MCSC should help them do so.

The Military Coalition urges the subcommittee to require DOD and its MCSCs to assist Standard beneficiaries in finding providers who will accept new TRICARE Standard patients, including interactive on-line lists and other means of communication.

Administrative Burdens. Despite many initiatives to improve the program, we continue to hear complaints from providers of low and slow payments, as well as burdensome administrative requirements and hassles. Only by decreasing the administrative burden placed on providers and building a simplified and reliable claims system that pays in a timely way can Congress and DOD hope to establish TRICARE as an attractive program to providers and a dependable benefit for beneficiaries.

Once providers have left the TRICARE system, promises of increased efficiencies have done little to encourage them to return. Lessons learned from TFL implementation demonstrate the effectiveness of using one-stop electronic claims processing to make automatic TRICARE payments to any Medicare-participating provider.

The Coalition is grateful to the subcommittee for its actions in the NDAA for Fiscal Year 2003 designating Medicare providers as TRICARE authorized providers and requiring DOD to adopt claims requirements that mirror Medicare's, effective with TNEX. TFL dramatically improved access to care for Medicare-eligibles by relying on existing Medicare policies to streamline administrative procedures and claims processing, make the system simple for providers, and pay claims on time.

The Coalition remains concerned with the caveat under Sec. 711 of the NDAA for Fiscal Year 2003 that claim information is limited to that required for Medicare claims "except for data that is unique to the TRICARE program." We believe that the proposed requirements are still more complex than that of private sector practices. We do not know how this extraneous information contributes to effective claims processing, but we do know that the private sector adjudicates claims more cost effectively and efficiently without such additional requirements. We also know that the more requirements the TRICARE claims system imposes on providers, the less willing they are to put up with it.

The claims system should be designed to accommodate providers and beneficiaries' needs rather than compelling them to jump through additional administrative hoops for TRICARE's convenience. The Coalition is hopeful that the Comptroller General report on obstacles in claims processing will address this issue.

The Military Coalition urges the subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.

Prior Authorization. While the TNEX request for proposals purportedly removes the requirement for preauthorization for Prime beneficiaries referred to specialty care, the TRICARE Policy Manual 6010.54–M August 1, 2002, Chapter 1, Section 7.1, and I., G belies that, stating:

> "Each TRICARE Regional Managed Care Support (MCS) contractor may require additional care authorizations not identified in this section. Such authorization requirements may differ between regions. Beneficiaries and providers are responsible for contacting their contractor's Health Care Finder for a listing of additional regional authorization requirements."

The Coalition believes strongly that this regulation undermines the long-standing effort of this subcommittee to simplify the system and remove burdens from providers and beneficiaries. It is contrary to current private sector business practices, the commitment to decrease provider administrative burdens, and the provision of a uniform benefit. DOD has told the Coalition that they do not believe the civilian contractors will impose such limitations in their proposals, as it does not make good business sense. If so, why allow them that authority? The Coalition does not believe the provision of a uniform benefit should be left to the whims of the contractors. The Coalition believes it is the intent of Congress that uniformed services beneficiaries have earned and deserve a uniform benefit.

The Military Coalition urges the subcommittee's continued efforts to narrow and ultimately eliminate requirements for pre-authorization.

TRICARE Prime (Remote) Improvements. The Coalition is grateful for the NDAA for Fiscal Year 2003 provision (sec. 702) that addresses continued TRICARE eligibility of dependents residing at remote locations when their sponsor's follow-on orders are an unaccompanied assignment. Sec 702 also provides further Prime eligibility for certain dependents of Reserve component members ordered to active duty.

This provision allows these families to retain the TRICARE Prime Remote benefit (TPR) and will go a long way to provide support for families remotely assigned who face a period of time living without their sponsor. The Coalition requests the subcommittee to make an additional consideration to enhance this provision. As writ-

ten, TPR benefits are authorized only if the dependents remain at the former duty site. In such circumstances, there can be many good reasons why the family may wish to relocate to another area while awaiting the end of the sponsor's unaccompanied tour. Many dependents wish to relocate to be with their families during this time or to another area where they can best wait for the service member to return. In those cases where the government is willing to pay for the family's relocation for this purpose, it seems inappropriate to force the family out of the Prime Remote program if TRICARE Prime is not available at the location where the family will reside.

The Military Coalition requests that the subcommittee authorize TRICARE Prime Remote beneficiary family members to retain their eligibility when moving to another remote area when such move is funded by the government and there is no reasonable expectation that the service member will return to the former duty station.

Sec. 702 extends TPR to dependents of Reserve component members residing in remote areas when called to active duty for more than 30 days. While we applaud this enhancement, we would ask the subcommittee to consider extending this to dependents that reside within Military Treatment Facility (MTF) catchment areas if the sponsor is called to active duty for 179 days or less. In such cases, the family members are not eligible for enrollment in TRICARE Prime. For them, there is no practical difference than if they lived in TRICARE Prime remote area. Under MTF optimization, these beneficiaries will most likely be unable to receive care from the military's direct care system. The Coalition believes the Prime Remote benefit should be standardized for ALL Reserve families when the sponsor is called to active duty for 31 to 179 days, regardless of whether the family resides in a catchment area or not.

The Military Coalition urges the subcommittee to expand TRICARE Prime Remote coverage to include reservists called to active duty for 31 to 179 days who reside within MTF catchment areas.

The great strides made in recent years to improve benefits for Medicare-eligibles and active duty families stand in contrast to the continued shortcomings of the TRICARE system for retirees under 65. Many of these beneficiaries live in areas not serviced by Prime, thus relying on the more expensive and cumbersome Standard benefit. Many, especially those who live in rural or metropolitan areas that are medically underserved, have great difficulty in locating TRICARE Standard providers. This presents a dilemma for members who have no choice but to rely on providers who can charge higher prices and demand their fees "up front" at the time of service. Obviously, this places an undue financial burden upon these deserving beneficiaries.

In the light of the enhancements recently provided to the over-65 retirees (TFL) and active duty beneficiaries, extra steps are needed to provide a more consistent benefit to the under-65 retirees whose needs are not currently being met by TRICARE Standard.

The Military Coalition recommends that subcommittee authorize extension of TRICARE Prime Remote coverage to retirees and their family members and survivors at the same locations where it is established for active duty families.

Healthcare for Members of the National Guard and Reserve. Health insurance coverage has an impact on Guard—Reserve (G–R) medical readiness and family morale. Progress has been made during transitional periods after call-ups, but more needs to be done to provide continuity of care coverage for Reserve component members.

Health insurance coverage varies widely for members of the G-R: some have coverage through private employers, others through the Federal Government, and still others have no coverage. Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Although TRICARE eligibility starts at 30 days activation, many G-R families would prefer continued access to their own health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting.

In 2001, DOD recognized this problem and announced a policy change under which DOD would pay the premiums for the Federal Employee Health Benefit Program (FEHBP) for DOD reservist-employees activated for extended periods. However, this new benefit only affects about 10 percent of the Selected Reserve. The Coalition believes this philosophy could be extended to pay health insurance premiums for activated G–R members who are not Federal civilian employees.

As a matter of morale, equity, and personnel readiness, more needs to be done to assist reservists who are being called up more frequently in support of national security missions. They deserve options that provide their families continuity of

care, without having to find a new doctor or navigate a new system each time the member is activated or deactivated.

The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserve component and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. Alternatively, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

Coordination of Benefits and the 115 percent Billing Limit Under TRICARE Standard. In 1995, DOD unilaterally and arbitrarily changed its policy on the 115 percent billing limit in cases of third party insurance. The new policy shifted from a "coordination of benefits" methodology (the standard for TFL, FEHBP and other quality health insurance programs in the private sector) to a "benefits-less-benefits" approach, which unfairly transferred significant costs to service members, their families, and survivors.

Although providers may charge any amount for a particular service, TRICARE only recognizes amounts up to 115 percent of the TRICARE "allowable charge" for a given procedure. Under DOD's previous, pre–1995 policy, any third party insurer would pay first, and then TRICARE (formerly CHAMPUS) would pay any remaining balance up to what it would have paid as first payer if there were no other insurance (75 percent of the allowable charge for retirees; 80 percent for active duty dependents).

Under its post-1995 policy, TRICARE will not pay any reimbursement at all if the beneficiary's other health insurance (OHI) pays an amount equal to or higher than the 115 percent billing limit. (Example: a physician bills $500 for a procedure with a TRICARE-allowable charge of $300, and the OHI pays $400. Previously, TRICARE would have paid the additional $100 because that is less than the $300 TRICARE would have paid if there were no other insurance. Under DOD's new rules, TRICARE pays nothing, since the other insurance paid more than 115 percent of the TRICARE-allowable charge.) In many cases, the beneficiary is stuck with the additional $100 in out-of-pocket costs.

DOD's shift in policy unfairly penalizes beneficiaries with other health insurance plans by making them pay out of pocket for what TRICARE previously covered. In other words, beneficiaries entitled to TRICARE may forfeit their entire TRICARE benefit because of private sector employment or some other factor that provides them private health insurance. In practice, despite statutory intent, these individuals have no TRICARE benefit.

DOD and Congress acknowledged the appropriateness of the "coordination of benefits" approach in implementing TRICARE For Life and for calculating pharmacy benefits. TFL pays whatever charges are left after Medicare pays, up to what TRICARE would have paid as first payer. The Coalition believes this should apply when TRICARE is second-payer to any other insurance, not just when it is second-payer to Medicare.

The Military Coalition strongly recommends that the subcommittee direct DOD to eliminate the 115 percent billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.

Nonavailability Statements under TRICARE Standard. The Coalition is grateful for the provision in the NDAA for Fiscal Year 2002 that waives the requirement for a beneficiary to obtain a Nonavailability Statement (NAS) or preauthorization from an MTF in order to receive treatment from a civilian provider and appreciates that the time line for implementation of this provision has been moved up from the NDAA for Fiscal Year 2001 plan. However, except for maternity care, the law allows DOD broad waiver authority that diminishes the practical effects of the intended relief from NAS. These loopholes provide a great deal of leeway for the reinstatement of NAS at the Secretary's discretion. NASs can be required if:

- The Secretary demonstrates that significant costs would be avoided by performing specific procedures at MTFs;
- The Secretary determines that a specific procedure must be provided at the affected MTF to ensure the proficiency levels of the practitioners at the facility; or
- The lack of an NAS would significantly interfere with TRICARE contract administration.

The Coalition is disappointed that except for maternity care, the waiver of the TRICARE Standard NAS requirement seems to be a "road paved with good intentions," but little more.

The rationale for a complete waiver of NAS requirements remains compelling. By choosing to remain in Standard, beneficiaries are voluntarily accepting higher co-

payments and deductibles in return for the freedom to choose their own providers. The Coalition appreciates that the intent of the NAS system, when CHAMPUS was an evolving program, was to maximize the use of MTFs. However, when TRICARE was created, it offered beneficiaries a choice in how to exercise their health care benefit.

The Coalition is pleased to note that the TRICARE Reserve Family Demonstration Project (TRFDP) provides for increased access to health care for family members of activated reservists and guardsmen—including a total waiver of NAS requirement for ALL inpatient services. While this group of beneficiaries is most worthy of a robust health care benefit and deserves to maintain established relationships with their health care providers, the Coalition believes this benefit should be extended to all uniformed services beneficiaries—active duty and retired—as well.

DOD must honor the decision made by beneficiaries and not insist that they "jump through administrative hoops" to exercise this choice, particularly since most care in MTFs and clinics is being given on a first priority basis to Prime enrollees anyway. More importantly, this capricious policy frequently denies TRICARE Standard beneficiaries, who have chosen the more expensive fee-for-service option, one of the most important principles of quality health care, continuity of care by a provider of their choice.

The Military Coalition strongly recommends that all requirements for Nonavailability Statements be removed from the TRICARE Standard option and that all waivers be eliminated, effective upon enactment. Should the subcommittee deem this impractical at this time, the Coalition urges the subcommittee to build on the maternity care precedent by incrementally eliminating NAS authority for additional kinds of care.

TNEX—TRICARE Next Generation of Contracts. This year, DOD will award the next round of managed care support contracts. The Coalition agrees that this is a critically important step, both for the Department and for beneficiaries. We acknowledge the complexity of this process, are committed to working with Congress and DOD to make implementation as effective as possible, and will be vigilant that the current level of service is not compromised. As these contracts are implemented, a seamless transition and accountability for progress are the Coalition's primary concerns.

The Coalition is anxious that massive system changes are being implemented at a time of great stress for uniformed services beneficiaries, especially active duty members and their families. Transitions to new contractors, even when the contract design has not dramatically changed, has historically been tumultuous to all stakeholders, and especially to beneficiaries. The Coalition believes systems must be put in place that will make the transition to new contracts as seamless as possible to the beneficiary.

One concern with awarding different contract functions to a variety of vendors is that beneficiaries should not be caught in the middle as they attempt to negotiate their way between the boundaries of the various vendors' responsibilities. DOD must find ways to ensure beneficiaries have a single source of help to resolve problems involving the interface of multiple vendors.

The Military Coalition recommends that the subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs are sought in the implementation process.

Uniform Formulary Implementation. The Coalition is committed to work with DOD and Congress to develop and maintain a comprehensive uniform pharmacy benefit for all beneficiaries mandated by Section 701 of the NDAA for Fiscal Year 2000. We will particularly monitor the activities of the Pharmacy and Therapeutics Committee. The Coalition expects DOD to establish a robust formulary with a broad variety of medications in each therapeutic class that fairly and fully captures the entire spectrum of pharmaceutical needs of the millions of uniformed services beneficiaries.

The Coalition is grateful to this subcommittee for the role it played in mandating a Beneficiary Advisory Panel to comment on the formulary. Several Coalition representatives are members of the Beneficiary Advisory Panel and are eager to provide input to the program. While we are aware that there will be limitations to access of some medications, our efforts will be directed to ensuring that the formulary is as broad as possible, that prior authorization requirements for obtaining non-formulary drugs and procedures for appealing decisions are communicated clearly to beneficiaries; and administered equitably.

The Coalition is particularly concerned that procedures for documenting and approving "medical necessity" determinations by a patient's physician must be streamlined, without posing unnecessary administrative hassles for providers, patients, and pharmacists. The Coalition believes the proposed copayment increase from $9

to $22 for non-formulary drugs is too steep and presents an undue financial burden upon all classes of beneficiaries. Beneficiaries' trust will be violated if the formulary is excessively limited, fees rise excessively, and/or the administrative requirements to document medical necessity are overly restrictive.

DOD must do a better job of informing beneficiaries about the scope of the benefit and it works (to include prior authorization requirements, generic substitution policy, limitations on number of medications dispensed, and a listing of the formulary). The Coalition is pleased to note that the Department has improved its beneficiary education via the TRICARE Web site. However, we remain concerned that many beneficiaries do not have access to the Internet, and this information is not available through any other written source. As DOD approaches the uniform formulary implementation, it will be critical to make this information readily available to beneficiaries and providers.

The Military Coalition urges the subcommittee to ensure a robust uniform formulary is developed with reasonable medical-necessity rules along with increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

Fully Implement Portability and Reciprocity. Section 735 of the NDAA for Fiscal Year 2001 required DOD to develop a plan, due March 15, 2001, for improved portability and reciprocity of benefits for all enrollees under the TRICARE program throughout all regions. DOD has issued a memorandum stating that DOD policy requires full portability and reciprocity. Despite the efforts of this subcommittee, enrollees still experience a disruption in enrollment when they move between regions and are still not able to receive services from another TRICARE region without multiple phone calls and much aggravation.

The lack of reciprocity presents particular difficulties for TRICARE beneficiaries living in "border" areas where two TRICARE regions intersect. In some of the more rural areas, the closest provider may actually be located in another TRICARE region, and yet due to the lack of reciprocity, these beneficiaries cannot use these providers without great difficulty. This problem suffers especially by comparison with TFL, as TFL beneficiaries have full portability and reciprocity of their benefits. Meanwhile, active duty and under-65 retired beneficiaries remain tied to the region where they reside.

It is unfathomable that, despite years of focus on the need for portability and reciprocity, and the obvious disruptions and financial problems imposed on beneficiaries in the interim, this same problem persists year after year. Something is seriously wrong when our government requires nationwide mobility of military families, but has such little sense of urgency about making sure their health benefits can follow them.

The Military Coalition strongly urges the subcommittee to direct DOD to expend the resources it needs to facilitate immediate implementation of portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

TRICARE Benefits for Remarried Widows. The Coalition believes there is an inequity in TRICARE's treatment of remarried surviving spouses whose second or subsequent marriage ends in death or divorce.

Such survivors have their military identification cards reinstated, as well as commissary and exchange privileges. In addition, they have any applicable Survivor Benefit Plan annuity reinstated if such payment was terminated upon their remarriage. In short, all of their military benefits are restored—except health care coverage.

This disparity in the treatment of military widows was further highlighted by enactment of the Veterans Benefits Act of 2002, which reinstates certain benefits for survivors of veterans who died of service-connected causes. Previously, these survivors lost their VA annuities and VA health care (CHAMPVA) when they remarried, but the Veterans Benefits Act of 2002 restored the annuity—and CHAMPVA eligibility—if the remarriage ends in death or divorce.

The Military Coalition urges the subcommittee to restore equity for military widows by reinstating TRICARE benefits for otherwise qualifying remarried widows whose second or subsequent marriage ends in death or divorce.

Deduct TRICARE Prime Enrollment Fees from Retiree Pay. Years ago, Congress gave DOD the authority to deduct TRICARE Prime enrollment fees from retired members' pay. However, the Department has not moved forward to make this service available to retirees.

Many retirees and their families have paid significant penalties because of DOD's delay in implementing this authority, because of MCSC enrollment and billing errors, primarily in TRICARE Region 1. Because the contractor failed to send bills to Prime enrollees, many enrollees did not realize their payments were due until the contractor notified them that their families had been disenrolled from Prime.

If DOD had used its authority and permitted retirees to pay for Prime through their pay, it could have saved thousands of beneficiaries from the hassles encountered when they were disenrolled from Prime because the Region 1 contractor failed to develop an adequate billing control system. It also would have saved the government thousands of the dollars that it took to address this problem.

Health care is too important to military families to allow it to be disrupted by DOD's failure to implement a routine pay deduction that will save time, money, and administrative problems for the beneficiaries, the government, and the managed care contractors.

The Military Coalition urges the subcommittee to require DOD to implement existing authority to deduct TRICARE Prime enrollment fees from enrollees' retired pay.

Codify Requirement to Continue TRICARE Prime in BRAC Areas. In addition to our concerns about current benefits, the Coalition is apprehensive about continuity of future benefits as Congress and DOD begin to consider another round of base closures.

Many beneficiaries deliberately retire in localities in close proximity to military bases, specifically to have access to military health care and other facilities. Base closures run significant risks of disrupting TRICARE Prime contracts that retirees depend on to meet their health care needs.

Currently, under current TRICARE Managed Care Support Contracts and under DOD's interpretation of TNEX, TRICARE contractors are required to provide the Prime benefit in Base Realignment and Closure (BRAC) areas. However, these contracts can be renegotiated, and the contracting parties may not always agree on the desirability of maintaining this provision.

The Coalition believes continuity of the TRICARE Prime program in base closure areas is important to keeping health care commitments to retirees, their families and survivors, and would prefer to see the current contract provision codified in law.

The Military Coalition urges the subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for all uniformed services beneficiaries residing in BRAC areas.

TRICARE Retiree Dental Plan. The Coalition is grateful for the subcommittee's leadership role in authorizing the TRICARE Retiree Dental Plan (TRDP). While the program is clearly successful, participation could be greatly enhanced with two adjustments.

Unlike the TRICARE Active Duty Dental Plan, there is no government subsidy for retiree dental premiums. This is a significant dissatisfier for retired beneficiaries, as the program is fairly expensive with relatively limited coverage. The Coalition believes dental care is integral to a beneficiary's overall health status. Dental disease left untreated can lead to more serious health consequences and should not be excluded from a comprehensive medical care program. As we move toward making the health care benefit uniform, this important feature should be made more consistent across all categories of beneficiaries.

Another problem with the TRDP is that it is only available within the continental United States (CONUS). The Coalition requests that the subcommittee extend the TRDP to uniformed services beneficiaries residing overseas.

The Military Coalition urges the subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside overseas.

Commonwealth of Puerto Rico CONUS Designation. The Commonwealth of Puerto Rico is included in the TRICARE Overseas Program, which means TRICARE Prime is available only to active duty service members and their families. Retirees living in Puerto Rico are excluded from this benefit. Under OCONUS regulations, the more expensive TRICARE Standard is the only available option for retired military personnel, their families and survivors. DOD has very limited direct care facilities, a limited benefit structure, and a severely limited contract provider network to serve this growing population.

We are pleased to note that the Department has finally instituted TRICARE network pharmacies for all beneficiaries in Puerto Rico, but believe these beneficiaries are deserving of the option of enrollment in the Prime benefit.

In light of the large number of retired beneficiaries residing in Puerto Rico and the importance of the Commonwealth as a source for recruitment and an initiative for retention, the Coalition believes it would be productive for all concerned to extend the Prime benefit to retired beneficiaries who reside there.

The Military Coalition urges the subcommittee to support administrative inclusion of the Commonwealth of Puerto Rico with the CONUS for TRICARE purposes, so that retired beneficiaries in Puerto Rico may be eligible to enroll in TRICARE Prime.

Tax Relief for Uniformed Services Beneficiaries. To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of

health insurance, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing Federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports legislation that would amend the tax law to let Federal civilian retirees and active duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the subcommittee will lend its support to this legislation and help ensure equal treatment for all military and Federal beneficiaries.

The Military Coalition urges the subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums paid for TRICARE Prime enrollment fees, TRICARE Standard supplements and FEHBP premiums.

Custodial Care. Once again, the Coalition thanks the subcommittee for its continued diligence in support of those beneficiaries who fall under the category of "Custodial Care". We are most appreciative of the generous enhancements offered in the NDAA for Fiscal Year 2002. We anxiously await the publication of DOD's interim report defining the implementing regulations.

It has been over 2 years since the enactment of these requirements, and we hope that these beneficiaries do not have to wait much longer for this benefit.

The Military Coalition recommends the subcommittee's continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the new legislation upon all beneficiary classes, and that beneficiary groups' inputs be sought in the development of implementing regulations.

Conclusion

The Military Coalition reiterates its profound gratitude for the extraordinary progress this subcommittee has made in securing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the subcommittee in pursuit of these goals outlined in our testimony.

Thank you very much for the opportunity to present the Coalition's views on these critically important topics.

Senator CHAMBLISS. We will start with Mr. Barnes.

STATEMENT OF JOSEPH L. BARNES, NATIONAL EXECUTIVE SECRETARY, FLEET RESERVE ASSOCIATION

Mr. BARNES. Thank you. Mr. Chairman, Senator Nelson, distinguished members of the subcommittee, thank you for the opportunity to present The Military Coalition's views on key personnel and compensation issues.

I also extend the Coalition's congratulations on your selection to serve as the chairman and ranking member respectively of this important subcommittee, and gratitude for the pay and benefit enhancements enacted last year. These improvements convey a powerful positive message to all uniformed services personnel, and will pay high retention and readiness dividends in the future.

I will discuss several personnel issues, followed by my colleagues, who will address issues from the family, Guard and Reserve, retiree, and survivor and health care perspectives.

The Military Coalition again recommends increasing service end strengths to balance today's demanding operations requirements with the personnel needed to perform these missions. The Services need adequate personnel to sustain the war on terrorism and de-

manding operational commitments. With regard to pay, the Coalition is concerned about the renewed interest in capping military pay raises at the inflation level due to budget concerns.

Fortunately, the President rejected this plan for five of the seven uniformed Services. However, the administration's budget request proposes capping pay adjustments at the inflation level for NOAA and the PHS officers. The Coalition strongly opposes this. All uniformed services members deserve equitable pay increases at least equal to private sector wage growth.

The Coalition strongly supports the targeted plan that would authorize average pay increases of 4.1 percent with targeted pay hikes for career enlisted and certain officer grades. This would reduce the pay gap to 5.4 percent.

The Coalition also urges a change in the permanent law to ensure that at a minimum, all future military raises match private sector wage growth, as measured by the employment cost index. The Coalition also urges the subcommittee to accelerate the plan to eliminate service members' out-of-pocket housing expenses and to authorize adjustments in grade-based housing standards.

Education benefits are very important, and the Coalition strongly recommends authorizing an MGIB sign-up window for senior career service members who declined participation in the veterans education assistance program, or VEAP.

Finally, the Coalition restates its strong commitment to maintaining the commissary benefit as an integral part of the total military compensation package, and its continuing opposition to privatizing the benefit. The tangible and highly valued aspect of this benefit is not quantifiable solely in monetary terms.

Again, thank you for this opportunity to present our views. Joyce Raezer will now discuss family issues.

[The prepared statement of The Naval Reserve Association follows:]

PREPARED STATEMENT BY THE NAVAL RESERVE ASSOCIATION

Chairman Chambliss, Senator Nelson, and distinguished members of the subcommittee, on behalf of the 86,000 active naval reservists and the mirrored interests of all members of the Guard and Reserve components, we are grateful for the opportunity to submit testimony.

A popular fad in the press is to write about the plight of the mobilized reservist. These articles emphasize the anxiety of being away from work and or family. As was stated in The Wall Street Journal, "The activation of tens of thousands of military reservists is beginning to interrupt careers and disrupt workplaces on a scale not seen in more than a decade." [1]

A climate of despair is being painted about the reservist. Focus is being placed on the needless hardship for too many members of the Guard and Reserve, for their families and for their employers. The Naval Reserve Association would like to dispel this myth. In defense of the reservists, let it be said that it is a statistical few that complain about their circumstances. Portrayed as a predicament by the press, most reservists, instead, view mobilization as an opportunity to serve their country.

If reservists have an Achilles' heel, it is how often they are willing to sacrifice family and employment to serve their country. Reservists have shown us time and time again that they'll volunteer when asked, despite the impact of their personal and professional life. This service beyond self is not appreciated by many on the active side or in DOD.

Since 1990, the active-duty services have grown languorous from a diet of contributory assistance, recall, and mobilization support. The number of contributory

[1] Massive Call-Up of Reservists Disrupts Careers, Workplaces; Kemba J. Dunham, Kris Maher and Greg Jaffe, The Wall Street Journal, Feb. 18, 2003.

man-days has risen from 1 million in the late 1980s to nearly 13 million a year over the past few years. Rather than confront budget appropriators, the active components have been content to fill their force shortfalls with Reserve manpower.

"Part-time reservists are being turned into full-time soldiers and airmen through extended and unpredictable active-duty assignments," Congressman David Hobson (OH–7) said in a letter to Secretary of Defense Rumsfeld, last year. "The Services are not properly manned to conduct this new type of war in which we now find ourselves, and the Reserves are bearing the brunt."[2]

If we want to have a total force, if we want that concept to work, we've got to be respectful of the fact that people in the Reserves and the Guard have jobs. They're perfectly willing to be called up, but they only want to be called up when they're needed and for something that's a real job. They prefer not to get jerked around and called up 2 or 3 or 4 months before they're needed and then found they're not needed and sent back home with a 'sorry about that,' said Secretary of Defense Rumsfeld in a speech in late January.[3]

If there is a raw nerve among reservists, it is caused by how individuals are being utilized, and how often that individual is being called up. Pride and professionalism is a large factor in the profile of a reservist. They want to be used how they have been trained, and they want to complement the Active Forces. Too often, they have been called up to do a marginal job, or stand weekend or night watches allowing active members time off. In situations like this, we often hear from our members that the active-duty personnel of a particular command are not working overtime. The model used by the Navy calls for active-duty personnel to be working a 60-hour work week before reservists would be involuntarily recalled to active duty. Quite often, the requirement for recall is nothing more than to fill in the gaps in existing active-duty manning. Recall and proper use of reservists needs constant monitoring and attention.

Another raw nerve among reservists is attempts by the Navy to deny individuals their full entitlements. Over and over, reservists are asked to make a voluntary mid- to long-term commitment of combining drills with multiple sets of 29 day orders. There is an institutional bias to issuing reservists one set of orders for longer than 30 days thereby denying them greater entitlements. We strongly believe that this is an injustice to the individual and his/her employer that Congress should question.

Over a year ago, Principal Deputy Assistant Secretary of Defense for Reserve Affairs met with the Military Reserve Associations and asked how frequently is it acceptable to recall reservists? His hope was an answer measured in years that could be programmed into a formula. Reservists are not inventory numbers, but individuals. On the first recall they will answer smartly, on the second recall they will do their duty, by the third they start believing the press reports.

In today's American way of war, the way a reservist is used and recalled is vital to successful military operations, and essential to gaining the will of America. As Deputy Secretary of Defense Paul Wolfowitz has said, "How we manage our Reserve components will determine how well we as a Nation are prepared to fight, today and tomorrow."[4]

The question we are asking is: "Are the DOD legislative initiatives taking us in the right direction for a sound military and a strong national defense?" We hope that DOD is learning lessons from the past to avoid repeating mistakes in the future, and the Naval Reserve Association stands ready to assist in turning lessons learned into improved policy.

Again, thank you for this opportunity. Details of specific concerns by our Association on DOD initiatives follow, we hope you can help address them:

DEPARTMENT OF DEFENSE INITIATIVES

Roles and Missions

A Pentagon study has highlighted that the Guard and Reserve structure, today, is an inherited Cold War relic. As a result, the Guard and the Reserve organization has become the focus of "transformation." While it won't be denied that there could be a need for change, transformation for transformation sake could be disadvanta-

[2] Citizen Soldiers Report Long Tours, Little Support, Gregg Zoroya, USA Today, Jan. 16, 2003.

[3] Remarks by Secretary of Defense Donald H. Rumsfeld to the Reserve Officers Association 2003 Mid-Winter Conference and 18th Annual Military Exposition, Washington, DC, January 20, 2003.

[4] Remarks by Deputy Secretary of Defense Paul Wolfowitz, to the Reserve Officers Association 2002 National Conference, Philadelphia, PA, June 20, 2002.

geous. Visionaries need to learn lessons from the past, assimilate the technology of the future, and by blending each, and implement changes that improve warfighting.

The Reserve component as a worker pool.

Issue: The view of the Reserve component that has been suggested within the Pentagon is to consider the Reserve as of a labor pool, where reservists could be brought onto active duty at the needs of a service and returned, when the requirement is no longer needed. It has also been suggested that active-duty members could be rotated off active duty for a period, spending that tenure as a reservist, returning to active duty when family problems, or educational matters are corrected.

Position: The Guard and Reserve should not be viewed as a temporary-hiring agency or as a personnel depot. Too often the active component views the recall of a reservist as a means to fill a gap in existing active-duty manning. Voluntary recall to meet these requirements is one thing, involuntary recall is another.

The two top reasons why a reservist quits the Guard or Reserve is pressure from family, or employer. The number one complaint from employers is not the activation, but the unpredictability of when a reservist is recalled, and when they will be returned.

The structure of the Guard and Reserve is a system of billet assignments that are tied to progressive training tiers. To yank individuals out, or drop in active members who are in hiatus would impair training and personnel readiness.

100 percent mission ownership.

Issue: Department of Defense is looking at changing the Reserve and active component mix. "There's no question but that there are a number of things that the United States is asking its forces to do," Rumsfeld said. "When one looks at what those things are, we find that some of the things that are necessary, in the course of executing those orders, are things that are found only in the Reserves."[5]

Position: America is best defended through a partnership between the Government, the military, and the people. The Naval Reserve Association supports the continued recognition of the Abrams Doctrine, which holds that with a volunteer force, we should never go to war without the involvement of the Guard and Reserve, because they bring the national will of the people to the fight. While a review of mission tasking is encouraged, the active component should not be tasked with every mission, and for those it shares, no more heavily than their Reserve counterparts.

Historically, a number of the high percentage missions gravitated to the Reserve components because the Active Forces treated them as collateral duties. The Reserve has an expertise in some mission areas that are unequaled because reservists can dedicate the time to developing skills and mission capability, and sharing civilian equivalencies, where such specialization could be a career buster on active duty.

Augmentees.

Issue: As a means to transform, a number of the Services are embracing the concept that command and unit structure within the Reserve component is unnecessary. Reservists could be mustered as individual mobilization augmentees and be called up because often they are recalled by skills and not units.

Position: An augmentee structure within the Naval Reserve was attempted in the 1950s/1960s, and again in the 1980s. In one word: Failure. An idle force, reservists of that period could not pass the readiness test. The image of the selected reservists, sitting in a Reserve Center reading a newspaper originates from the augmentee era. Some semblance of structure is needed on a military hierarchy. Early on, Naval reservists created their own defense universities to fill the training void caused by mission vacuum.

Combining Active and Reserve Appropriations.

Issue: The fiscal year 2004 Defense budget request makes it clear that OSD intends to consolidate all pay and O&M accounts into one appropriation per Service. These consolidations would require various legislative changes before they would become law. The rationale for the consolidations is to provide greater flexibility for the active chiefs to move monies from the Reserve and Guard pay accounts to fund active component pay and O&M shortfalls. Managing fewer appropriations would also make managing pay and O&M easier.

Position: The Naval Reserve Association strongly opposes the proposed consolidation of all Guard, Reserve, and active pay into one service pay appropriation. We similarly oppose the proposed consolidation of all Guard, Reserve, and active operations and maintenance accounts into one service O&M appropriation. While we support seeking efficiencies wherever possible, we view the proposed "business" con-

[5] Secretary of Defense Donald H. Rumsfeld made this observation Nov. 4, 2002 to the Pentagon press corps amid questions of reports that Reserve and National Guard soldiers were being overtaxed with mobilization requirements since last year's terrorist attacks on this Nation.

solidation as ill conceived, misrepresented as inefficient, and as an attempt to reduce congressional oversight. We oppose it for a variety of other reasons, as well.

Under current law, the Reserve chiefs are the directors for their respective Reserve pay and O&M appropriations. Public Law 90–168, as amended by the NDAA for Fiscal Year 1997, vested in the Reserve chiefs full management and control of their respective Reserve financial resources. Consolidating Reserve and active pay into one appropriation would divest the Reserve chiefs of this authority and preclude their executing the programs and responsibilities, and maintaining the readiness mandated by Congress.

Much of the Guard and Reserve annual training occurs during the fourth quarter of a fiscal year, the same time frame when the active components are most likely to run short of funds and may desire to use Reserve pay and O&M to fund their own shortfalls. Allowing the active components the "flexibility" to use Reserve funds whenever they need to pay active component bills means that somewhere a Reserve soldier or sailor will not be paid, a Reserve unit will not be trained for mobilization, or reservist will not receive the specialized training needed for promotion, and ultimately retention. The active component will have flexible funding at the cost of Reserve readiness.

Inferred Changes to DOPMA and ROPMA.

Issue: It has been suggested within a DOD Roles and Missions study that promotions in the Reserve component need not be tied to active-duty promotion rates. It was further stated that allowing a skilled reservist to remain at a certain midgrade rank enlisted or officer rank longer would allow that individual to perform a vital mission longer.

Position: While NRA might support a change to the "promote up or out" policy; we in no way endorse having the Selected Reserve become an advancement wasteland.

Issue: Secretary Rumsfeld has also publicly stated that he has the Personnel and Readiness office looking at how DOD can get the benefit of people in a specific job longer, and how we can have people increase the number of total years they serve if they want to. He is willing to extending military careers beyond 60 years of age.

Position: While current policy permits individual waivers to retain certain skill sets, the Naval Reserve Association feels that authorizing changes to the length of tenure would have a negative impact and a rippling effect. History has shown time and again, if senior leaders are not encouraged to retire, there will be a retention collapse in the middle ranks, which erodes the long-term future of a component force. Few are so skilled, that a junior member can't fill the position with similar qualifications.

Pay and Compensation

Issue: A premature release of information in the form of a Naval Reserve survey, revealed a DOD initiative to end "2 days' pay for 1 day's work," and replace it with a plan to provide 1/30 of a month's pay model, which would include both pay and allowances. Even with allowances, pay would be less than the current system. When concerns were addressed about this proposal, a retention bonus was the suggested solution to keep pay at the current levels.

Position: Allowances differ between individuals and can be affected by commute distances and even zip codes. Certain allowances that are unlikely to be paid uniformly including geographic differences, housing variables, tuition assistance, travel, and adjustments to compensate for missing healthcare.

The Naval Reserve Association holds reservations with a retention bonus as a supplemental source. Being renewed annually bonuses tend to depend on the national economy, deficit, and political winds. Further, would this bonus just be grandfathered to current reservists, with some future generation forfeiting the bonus as an income source?

As one reservist said, "With the nonreimbursed expenses for commuting and training, I couldn't afford to drill at 1 day's pay."

Healthcare

Healthcare readiness is the number one problem in mobilizing reservists. The government's own studies show that between 20–25 percent of guardsmen and reservists are uninsured.

We applaud the efforts of the TRICARE Management Activity. TMA has a strong sense of who the customer is. They emphasize communications, and are proactive at working with the military associations. NRA would like to see a continued effort at:

- Ensuring quality coverage for mobilized reservist to provide continuity of healthcare.

- Seeking consistency of how TRICARE is implemented for mobilized reservists and families between regions, and
- Establishing a TRICARE Health plan for uninsured drilling reservists, similar to the successful SELRES Dental Program.

Business Initiative

Issue: Many within the Pentagon feel that business models are the panacea to perceived problems within military structure.

Position: Reservists have the unique perspective of holding two careers; many with one foot in business and one foot in the military. The Naval Reserve Association suggests caution rather than rush into business solutions. Attempted many times in the past, business models have failed in the military even with commands that proactively support.

Among the problems faced are:

Implementing models that are incompletely understood by director or recipient.
Feedback failure: "Don't tell me why not; just go do it!"
The solution is often more expensive than the problem.
Overburdened middle management attempting to implement.
Cultural differences.
While textbook solutions, businesses, too, are frustrated by numerous "false starts" with these models.

Retirement: Age 55.

Issue: A one-sided debate is being held through the press on whether changes should be allowed to Guard and Reserve to lower the retirement payment age. At a recent Pentagon press conference, Thomas F. Hall, the Assistant Secretary of Defense for Reserve Affairs, said he has "thought a lot about" lowering Reserve retirement age. Hall said it would be "expensive" and might encourage reservists to leave the workforce at too young an age. The Defense Department is now studying the issue to be part of a report to Congress next year.

Position: Over the last two decades, more has been asked of guardsmen and reservists than ever before. The nature of the contract has changed; Reserve component members would like to see recognition of the added burden they carry. Providing an option that reduces the retired with pay age to 55 years carries importance in retention, recruitment, and personnel readiness.

Most military associations are hesitant to endorse this because they envision money would be taken out of other entitlements, benefits, and Guard and Reserve equipment budgets. The Naval Reserve Association suggests an approach to this issue where neither cost nor expense would be an issue.

The Naval Reserve Association recommends that Reserve retirement with pay be allowed prior to age 60, but it be treated like Social Security retirement offset, at lower payments when taken at an earlier age. If a reservist elects to take retired pay at age 55, it would be taken at an actuarially reduced rate, keeping the net costs at zero.

Most of the cost projected by DOD is for TRICARE healthcare, which begins when retirement pay commences. Again following the Social Security example, Medicare is not linked to Social Security payments. NRA suggests that TRICARE for reservists be decoupled from pay, and eligibility remains at age 60 years

With Social Security as a model, reservists understand the nature of offsetting payments. The only remaining expense in this proposal would be the administrative startup costs and adjustments to retirement accrual contributed to the DOD retirement accounts.

Retention concerns should be set aside. Commissioned officers typically reach ROMPA limits at age 53. While enlisted are allowed to drill to age 60, many in the Navy are limited by High Year Tenure policies that take them out of pay before then. Drilling without pay motivates many to submit their retirement requests. By age 50, an enlisted has either already retired or is a "career" sailor.

At a minimum, hearings should be held to broaden the debate.

DEPARTMENT OF THE NAVY INITIATIVES

Restore Reserve Promotions to Reserve Officers on Temporary Recall (3 Years or Less)

Issue: In the Navy, there is a different promotion system for recalled and mobilized Naval Reserve officers. Officers who are recalled to active duty are placed on the Active-Duty List (ADL) for statute promotions. Mobilized officers are kept on the Reserve Active Status List (RASL).

To properly match the Reserve officer's exclusion from the active-duty list as provided for by 10 U.S.C. 641(1)(D) with a corresponding exclusion from the authorized grade strengths for active-duty list officers in 10 U.S.C. 523. Without this amendment, the active component would have to compensate within their control grades for temporary recalled Reserve officers who are considered, selected and promoted by RASL promotion selection boards. This compensation causes instability in promotion planning and a reduction in "career" ADL officer eligibility and promotion for each year a Reserve officer remains on "temporary" active duty. Therefore, Naval reservists are temporarily recalled to active duty and placed on the ADL for promotional purposes. End result—failure of selection due to removal from RASL peer group.

Position: The Naval Reserve Association strongly supports language changes to Title 10 U.S.C. 523 that would enable the Navy to recall reservists for 3 years or less and allow them to remain on the RASL under 10 U.S.C. 641. A ULB to correct is being submitted by DOD. This provides the Services grade strength relief for the small percentage of Reserve officers who would possibly be promoted while serving on temporary active duty. Granting relief is a win-win situation. *By removing the instability in promotion planning for the active component, Reserve officers can be issued recall orders specifying 10 U.S.C. 641(1)(D) allowing them to remain on the RASL for promotion purposes.*

Equipment Ownership

Issue: An internal study by the Navy has suggested that Naval Reserve equipment should be returned to the Navy. At first glance, the recommendation of transferring Reserve component hardware back to the active component appears not to be a personnel issue. However, nothing could be more of a personnel readiness issue and such transfer is ill advised. Besides being attempted several times before, the impact of this issue needs to be addressed if the current National Security Strategy is to succeed.

Position: The overwhelming majority of Reserve and Guard members join the RC to have hands-on experience with equipment. The training and personnel readiness of Guard and Reserve members depends on constant hands-on equipment exposure. History shows that this can only be accomplished through Reserve and Guard equipment, since the training cycles of active components are rarely, if ever, synchronized with the training or exercise times of Guard and Reserve units. Additionally, historical records show that Guard and Reserve units with hardware maintain equipment at or higher than average material readiness and often better training readiness. Current and future warfighting requirements will need these highly qualified units when the Combatant Commanders require fully ready units.

Reserve and Guard units have proven their readiness. The personnel readiness, retention, and training of Reserve and Guard members will depend on them having Reserve equipment that they can utilize, maintain, train on, and deploy with when called upon. Depending on active component hardware has never been successful for many functional reasons. The NRA recommends strengthening the Reserve and Guard equipment in order to maintain highly qualified trained Reserve and Guard personnel.

Closure of Naval Reserve Activities

Issue: A proposal has been made, suggesting that a large number of Naval Reserve Centers and Naval Air Reserve Activities be closed, and that Naval reservists could commute to Fleet Concentration Areas to directly support gaining commands and mobilization sites.

Position: The Naval Reserve Association is opposed to this plan for the following reasons:

A. The Naval Reserve is the one Reserve component that has Reserve activities in every State. To close many of these would be cutting the single military tie to the civilian community.

B. The demographics of the Naval Reserve is that most of the commissioned officers live on the coasts, while most of the enlisted live in the hinterland, middle America. The Naval reservists who are paid the least would have to travel the farthest.

C. The active-duty concept of a Naval Reserve is a junior force, a structure based upon enlisted (E1–E3s) and officers (O1–O2s): billets that can't be filled because the individuals haven't left the fleet yet. When the Coast Guard "transformed" its Reserve Force, it forced a restructuring that RIFFed many senior officers and enlisted leadership from the USCGR ranks, and caused a number of years of administrative problems.

D. If training at fleet concentration centers was correctly implemented, the Navy should bear the expense and burden of transportation to, and housing while on site. Additionally, at locations such as Naval Station Norfolk, the overlap of active-duty and Reserve training has shown an increased burden on bachelor quarters and messing facilities. Frequently, reservists must be billeted out on the economy. With these extra costs, training would prove more expensive.

E. Such a plan would devastate the Naval Reserve; retention would plummet, training and readiness would suffer.

Replacement of Full Time Staff (TARs) with Active-Duty "Station Keepers"

Issue: Another suggested initiative would to the replacement of Full Time Staff (TARs) with active-duty "Station Keepers."

Position: This has failed in the past, because the active Navy doesn't commit its best or it's brightest to administer reservists. Such duty is not viewed as career enhancing, and those who complete the assignments tend to do poorly before competitive promotion boards. The assignments tend to often gravitate to unqualified second and third string players who are dead-ended in their careers, and reservists retention, recruitment, readiness and morale tend to suffer.

CONCLUSION

The Four "Ps" can identify the issues that are important to reservists: Pay, Promotion, Points, and Pride.

Pay needs to be competitive. As reservists have dual careers, they have other sources of income. If pay is too low, or expenses too high, a reservist knows that time may be better invested elsewhere.

Promotions need to be fairly regular, and attainable. Promotions have to be through an established system and be predictable.

Points reflect a reservist's ambitions to earn retirement. They are as creditable a reinforcement as pay; and must be easily tracked.

Pride is a combination of professionalism, parity and awards: doing the job well with requisite equipment, and being recognized for ones efforts. While people may not remember exactly what you did, or what you said, they will always remember how you made them feel.

If change is too rapid with any of these four, anxiety is generated amid the ranks. As the Reserve component is the true volunteer force, reservists are apt to vote with their feet. Reservists are a durable resource only if they are treated right. Current conditions about the world highlights the ongoing need for the Reserve component as key players in meeting National Security Strategy, we can't afford to squander that resource.

STATEMENT OF JOYCE W. RAEZER, ASSOCIATE DIRECTOR OF GOVERNMENT RELATIONS, NATIONAL MILITARY FAMILY ASSOCIATION, INC.

Ms. RAEZER. Thank you, Mr. Chairman, for your attention to the quality-of-life of our military service members and their families. Recently in testimony, the senior enlisted leaders of the Services spoke about one of the most critical ingredients in ensuring service members' readiness, that is, making sure those service members know their families are being taken care of. Service members look to the Nation to understand that their families often drive retention decisions. The family's quality-of-life is a readiness requirement.

Quality-of-life is not just about pay. It is about having a safe, well-maintained place to live. It is about a quality education for their children. It is about meeting the aspirations of a spouse for a career, and a couple for a secure retirement. It is about respect for a job well done.

Service members need to know that their families are as prepared as possible to handle the stresses of deployment, that they can access vital support services wherever they live, and that the volunteers and family support personnel on the front line of family

support have the back-up and resources they need to assist families over the long term and in crisis situations.

Adequate resourcing and staffing for family support is especially important for our Guard and Reserve families. Despite improvements over the past year, these families still tell us that they too often do not receive the information they need, or know who to call when there is a question, and that they feel isolated from other military families. The total force concept has not yet reached the family support arena.

Service members look for continued upgrades to the permanent change of station allowances, and to the process itself, so that they are not footing the cost of Government-ordered moves. Increased weight allowances for E–5s and above, full replacement value for lost or damaged goods, and authorization to ship a second car overseas at Government expense would be most helpful.

Service members look for the Nation to make sure that their children's schools have the funding they need to provide a quality education in a safe environment, and provide the extra help military children need in dealing with the deployment of a parent to a dangerous place in the world.

Service members need access to quality child care. In recent testimony, the Sergeant Major of the Army stated that 27 percent of enlisted soldiers reported they had lost duty time during 2002 because they lacked child care. Resources are needed to assist families of all service members called to support contingency operations, including the Guard and Reserve, in accessing and paying for child care.

Service members need to know that the resources are available to provide vital morale, welfare, and recreation programs both to the deployed service member and to the family they left behind. They need to know that a spouse does not have to put career aspirations on hold because of their service to their country. Service members deployed on the Nation's business need to know their spouse can get a doctor's appointment for their sick child, even when military medical personnel deploy.

Now, more than ever, mission readiness is tied to service member readiness, which is tied to family readiness. Military members and their families look to you for continued support for the task they face. Please do not let them down.

Now, Steve Anderson will talk about Guard and Reserve issues.

[The prepared statement of Ms. Raezer follows:]

PREPARED STATEMENT BY JOYCE RAEZER

Mr. Chairman, the National Military Family Association (NMFA) thanks you for the opportunity to present this testimony on behalf of military families. We thank you and the members of this distinguished subcommittee for your attention to issues affecting the quality-of-life of service members and their families and for your understanding of the link between quality-of-life and the retention of a quality force. We thank you, especially, for your efforts in the 107th Congress, which included:

- A pay package that provided an across-the-board increase of 4.1 percent and targeted increases up to 6.5 percent;
- Funding increases for the Basic Allowance for Housing (BAH) to decrease average out-of-pocket costs for the DOD standard for each grade to 7.5 percent;
- Improvements and adequate funding for the Defense Health System, including a needed change in eligibility for TRICARE Prime Remote;

- Appropriation of $30 million in DOD supplemental Impact Aid funding for civilian schools serving large numbers of military children, as well as additional funding to help them serve military children with special education needs; and
- Permanent authority for DOD to provide additional family support, child care, and youth programs, especially for families of deployed servicemembers.

These improvements have not gone unnoticed or unappreciated in the military community. NMFA believes, however, that the most important message we can bring to you today is that these improvements are not enough. The critical issues facing military personnel and families prior to September 11, 2001—pay, housing, health care, family support, and education for their children—have not gone away. The families we represent, including our 120 installation NMFA representatives who report to us regularly, say they recognize the support Congress has given them over the past few years and see the very real benefits of your actions. They also tell us, however, that military families today face great challenges.

Military families are resilient, show amazing strength of spirit and energy in times of crisis, and understand the importance of the jobs their government is asking their service members to perform. They understand the risks of life in today's military and will support the service members, their country, and each other however they can for as long as a crisis lasts. Unfortunately, many have been providing this support for a very long time, without much relief. In recent testimony, the Chief Master Sergeant of the Air Force, Gerald Murray, described the concern he hears in every visit with airmen about the effects of the high operations tempo: "Wherever I go, our airmen clearly demonstrate to me they're highly motivated and ready, but they're also tired." NMFA believes that CMSAF Murray's statement about the airmen he met also most accurately sums up the state of military families today: supportive of the mission, but tired, and growing more so.

NMFA endorses the provisions as outlined in the testimony submitted by The Military Coalition, which provides a wide-ranging discussion of the issues affecting our active and Reserve component military personnel, retirees, and their families and survivors. In this statement, we will expand on some of the most urgent needs of military families as they support a wartime military mission, including: family readiness, the special challenges facing families of mobilized National Guard and Reserve members, health care, family member education, and child care.

FAMILY READINESS IN TIME OF WAR

The all-volunteer military today is predominantly a young, married force with children. Currently, 53 percent of the military is married and studies show that military members tend to marry younger and begin to have children at a younger age. Nearly one million children, or 73 percent of all military children, are under age 11; 40 percent are 5 years of age or younger. Approximately 6 percent of military members are single parents, ranging from a low of 3 percent of Marines to a high of almost 8 percent of Army members.

Today, the military family's lifeline—its community—is feeling the strain that comes from multiple missions with no end in sight. Family services are important even to an installation not pressured by high PERSTEMPO or war-related deployments. Family centers, military chaplains, and installation mental health professionals help ease the transition to the military environment for newly-arrived families. They provide financial counseling, information on accessing local social services, parenting classes, opportunities to learn about the community, as well as opportunities to volunteer to help others. Military youth programs offered by installation youth services and chaplains provide meaningful activities for many military youth, especially in the vulnerable preadolescent years. Additional services set up to support families when units deploy include counseling services, e-mail and video teleconferencing centers, and special family activities. These services ease the strain of deployment for families left behind and reassure the service member of the family's well-being.

Too often, the funding provided for contingency operations does not include enough for the support services needed at home. Essential family support includes the proper staffing and funding for MWR programs at the home installation. During the early years of the Bosnia operation, NMFA heard from families in Germany that installation MWR programs were cut back in order to make more resources available for the service members in Bosnia. While pleased that deployed service members had access to a wide range of MWR programs, families faced shortened hours for bowling alleys, swimming pools, and other activities they depended on to keep children active and their attention diverted from their separation from the service

member. NMFA hopes that the current deployments will not again pull key MWR personnel and resources out of communities that rely on the services they provide. Commanders should not have to choose between funding recreation programs for deployed service members or for the service members' children at a time when, as one military spouse told NMFA, we "have the stress of a deployed spouse, single-parenting stressed-out kids, no maintenance on our quarters, lots of 'isn't this war horrible' news and demonstrations and all the 'normal' deployment stresses." This spouse said what we've heard from many other families: "Keeping the quality-of-life programs viable is necessary to counter depression, horrid morale, and ultimately prevent soldiers from getting out due to the discontent of their families."

NMFA is grateful to Congress for granting DOD permanent authority to provide additional child care, education, and youth services to families of service members deployed or ordered to active duty in connection with Operation Enduring Freedom and other contingency operations. The intent of this provision was to ensure that DOD had the authority not only to provide the types of family support services provided during the Persian Gulf War, but whatever new types of support services are needed in the current environment. Some resources for information and support are more accessible now, thanks to the Internet and e-mail, than they were in Operation Desert Storm and more units have family readiness groups with a network of better-trained volunteers than those who rallied to support the troops and each other in Operation Desert Storm. Operation Desert Shield and Operation Desert Storm came at the end of a decade of military build-up and increased resources, but by the end of the war, most observers noted that the family support structure was stretched to the end of its limits. The current operations tempo began at the end of a decade of military downsizing and increased missions. Many volunteers and installation support staff were already strained before September 11, 2001—NMFA wonders where the back-up is for these dedicated front-line family support workers when we will need to rely on them for a long term measured in years rather than months.

NMFA applauds the Office of Military Community and Family Policy in the Office of the Secretary of Defense (OSD) for its creation of a Joint Family Support Contingency Working Group to promote better information-sharing and planning among OSD and the military Service headquarters family support staff, including the Reserve components. NMFA appreciates the invitation to participate in this working group, an innovative concept that grew out of the successful collaboration in the operation of the Pentagon family assistance center after the attack on the Pentagon. The working group recognizes that most military families live off-base and is encouraging better communication and new ways of helping families that are not all centered on an installation family center. NMFA has long promoted more outreach by family centers and installation support personnel into the civilian communities where most military families live so that family members unable to get to the installation for these programs can still receive the assistance they provide. The possibility of further incidents that could heighten the demand for support programs while, at the same time, causing installations to restrict access makes this outreach even more imperative. We are encouraged that outreach to all families is now a high priority.

One new vehicle for communicating with family members and helping them access assistance when needed wherever they are located is being tested by Marine Corps Community Services (MCCS). The new program "MCCS One Source," provides 24 hour-a-day, 7 days-a-week, telephone and online family information and referral, situational assistance, and links to military and community resources. Since February 1, the service has been available to active duty and Reserve Marines and their family members. The Army has also made this service available to soldiers and families at select installations. Employee Assistance Programs such as "One Source" provide an accessible source of information for service members and families and, if properly coordinated with other support services, should allow Service family support professionals to devote more time and attention to supporting unit volunteers and assisting families with more complicated problems.

NMFA also applauds the high quality coordination between the religious ministries and many MWR and other family support programs. Religious ministries are active participants in the life of military communities. Religious youth programs, for example, supplement the program offerings available from the Youth Centers and are highly-praised in many communities. Religious programs also draw retirees and their families back to the installations. A program offered by Army Chaplains, "Building Strong and Ready Families" is targeted at improving relationship skills and assisting initial-entry soldiers and their families with making the transition into military culture. The skills gained through this program support both mission readiness and strong families. Coordination between chaplains, their staff, and other

recreational and support programs enhances the stability of the military communities. Unfortunately, military judge advocates have indicated that current guidelines, regulations and laws do not establish clear authority for the use of appropriated funds to pay for soldiers and immediate family members' meals, lodging, transportation, conference fees, and other expenses associated with command-sponsored, chaplain-lead training and conferences. The Defense Appropriations Act for Fiscal Year 2003 contained a provision clarifying the legal authority surrounding the use of appropriated funds in supporting military chaplains' programs for strong and ready families. NMFA requests that this subcommittee make this language permanent in the National Defense Authorization Act for Fiscal Year 2004.

One very necessary improvement needed in the family support arena is closer collaboration between all the various helping individuals and agencies who assist in the development and maintenance of strong emotional and mental health in both individuals and families in the military community. As was seen in the Fort Bragg (NC) domestic violence cases during the summer of 2002, not all military family members or service members make use of the counseling and support services available to them. While the TRICARE benefit is rich by the standards of many health plans, it does not have a preventive care component. For TRICARE to pay for services, there must be a medical diagnosis, thus discouraging many family members from seeking care. Many members and families also believe that seeking counseling services through military programs may harm their careers or that these services are only intended for families identified as having problems. The authors of the report examining the Fort Bragg domestic violence incidents noted that the various agencies that could have provided support to the service members and families do not often coordinate their activities. Medical personnel, family centers, chaplains, schools, and local civilian agencies must communicate and work together to help families deal with stress and promote better mental health. NMFA also believes that the TRICARE mental health benefit must include a wider range of preventive care services. Just as the TRICARE medical benefit covers preventive services such as well baby checks, immunizations, and mammograms in order to prevent beneficiaries from getting sick and needing more costly care, so should the mental health benefit be geared toward helping beneficiaries learn how to cope with stress and improve their well-being so that they do not need more costly outpatient care. An emphasis on emotional health rather than treatment may also make beneficiaries more likely to seek appropriate services earlier.

NMFA applauds efforts to enhance inter-Service coordination on family support and readiness issues and to leverage technology and the best practices in the civilian sector to provide easily accessible information and referral to families regardless of geographic location. Since quality family support contributes to the readiness of the mission, NMFA believes that the cost of family support must be factored into the cost of the contingency and appropriate funding budgeted and provided upfront. NMFA also requests that the Services receive the authority to allow appropriated funds to be used to support command-sponsored family training and conferences conducted by military chaplains.

NATIONAL GUARD AND RESERVE FAMILIES

As of March 5, 176,533 National Guard and Reserve members were on active duty in support of contingency operations around the world. Our Guard and Reserve families are meeting the challenge of our rapidly-changing times and increasing military demands with varying degrees of success. While many of the challenges they face are similar to those of active component families, these families must face them with a less-concentrated and mature support network and in many cases without prior experience with military life. Although there is much talk within OSD and the Services about the "total force" comprised of the active and Reserve component melded together to accomplish the mission, NMFA hears from Guard and Reserve families that the "total force" concept has not yet fully reached the family support arena.

Unlike active duty units located on one installation with families in close proximity, Reserve component families are often miles from the service member's unit. Therefore, when the unit conducts a pre-deployment briefing, family members are not afforded an opportunity to attend unless they pay their own way. NMFA has heard the frustrations family members experience when trying to access information and understand their benefits. The lack of accurate benefit information and unrelenting communication difficulties are common themes among Guard and Reserve families.

NMFA thanks the State family readiness coordinators and unit volunteers for helping to provide family members with basic information. Unfortunately, some

units do not have adequate programs because of the lack of volunteers. Additional family readiness staffing and support for the unit level volunteers during emergency contingencies could ensure information is forwarded the families who are unable to attend unit briefings. Guard and Reserve unit volunteers, even more than many of their active duty counterparts, are stressed because of the numbers of families they must assist and the demands placed on them. At the very minimum they ask for funding for child care to enable them to more efficiently perform their expected tasks. Funding to enable families to attend a pre-deployment briefing would also help strengthen the ties between the units and the families and the families with each other.

DOD has developed several key initiatives that address the needs of Guard and Reserve families. NMFA applauds this effort, but there is still much to be done. For example, the OSD Reserve Affairs office maintains an excellent Web site. Its Family Readiness Toolkit and Deployment Guide provide practical information; however, many families report it difficult to use. Guard and Reserve families ask for standardized materials that are appropriate to all Services, so that if an Army Reserve member happened to live close to a Navy installation, he or she would understand how to access services there. The establishment and funding of a joint Family Readiness program would facilitate the understanding and sharing of information between all military family members within any single community. NMFA suggests that DOD also strengthen and perhaps formalize partnerships with national organizations such as the American Red Cross and U.S. Chamber of Commerce to enlist their assistance through their local chapters in setting up community-based support groups for military family members. The groups could include not only spouses and significant others of deployed members, but also the parents of service members. Involving the local community leaders in setting up these support groups would address two of the common concerns expressed by some of these isolated families: the feeling that they are the only families in town going through the strain of deployment and the sentiment that people not associated with the military do not appreciate their sacrifice.

Through our contact with Guard and Reserve families and family support personnel over the past year, NMFA has heard wonderful stories of individual States, units, and families caring for and supporting each other. NMFA is aware of leadership involvement at all levels to help ease the challenges faced by service members and families. NMFA is especially proud of the efforts of the Employer Support for Guard and Reserve (ESGR) as an advocate for the Reserve component member facing employment issues. ESGR is encouraging employers to set up their own family support programs and to provide information to employers and their other employees about the legal rights of Reserve component members. By providing this information in the workplace, ESGR is helping civilian communities gain a better understanding of the valuable role the Guard and Reserve play in the defense of our Nation.

Compensation issues continue to be of paramount concern among Guard and Reserve members. Many have taken cuts in pay, without their employer volunteering to pay the difference between their civilian pay and the Guard or Reserve salary. In addition to earning less, some Guard and Reserve members have experienced some problems with pay processing. For some families, the delay in receiving a paycheck has led to overdue payments on bills, and occasional threats to foreclose on their mortgage or turn them over to collection. Pay and personnel systems for activated Guard and Reserve members must work in coordination so families do not have to deal with bill collectors.

The cost of meeting unique family readiness needs for National Guard and Reserve families must be calculated in Guard and Reserve operational budgets and additional resources provided. These resources must include support, training, and assistance with some of the costs incurred in the course of their duties by unit family readiness volunteers. DOD must partner with other organizations and explore new means of communication to provide information and support to geographically dispersed Guard and Reserve families.

HEALTH CARE GAINS FOR MILITARY FAMILIES

After a rocky start over several years, the TRICARE system is providing most of the promised benefit for most active duty military families. Recent legislative provisions have improved the benefit, especially by providing the correction to the TRICARE Prime Remote Program enabling family members in the program to maintain eligibility when the service member receives orders for an unaccompanied assignment overseas. NMFA is waiting for news of how the new provision opening Prime Remote to family members of activated National Guard and Reserve mem-

bers will be implemented. We are concerned, however, that the legislation made these family members eligible for Prime Remote if the service member is on active duty orders of more than 30 days while Guard and Reserve families living in areas where Prime Remote is not available can only receive the Prime benefit if the service member has orders for more than 179 days. NMFA believes that a goal for the Department of Defense and Congress should be that active duty families—all active duty families—must have access to the cost savings of the TRICARE Prime benefit.

NMFA is also pleased to report that the partnership established between the DOD Office of Health Affairs, the TRICARE Management Activity (TMA), and the beneficiary associations continues, to the benefit of both beneficiaries and the Department. NMFA appreciates the information received in these meetings and the opportunity for dialogue with the persons responsible for managing DOD health care policies and programs. Through this collaboration, NMFA and other organizations have been able to raise areas of concern, provide feedback on the implementation of new programs and benefits, and help to provide better information to beneficiaries about their health care benefit.

HEALTH CARE CHALLENGES REMAIN

However grateful we are for recent benefit improvements, program implementations, and for the increased opportunities for beneficiary input, NMFA remains apprehensive about several issues: funding, beneficiary access to health care, the implementation of a new generation of TRICARE contracts, and the ability of National Guard and Reserve families to transition easily into TRICARE when the service member is called to active duty. Although the fiscal year 2004 budget request calls for what is believed to be an accurate level of funding for the Defense Health Program, NMFA urges this subcommittee to continue its efforts to ensure full funding of the entire Defense Health Program, to include meeting the needs for military readiness and of both the direct care and purchased care segments of TRICARE.

Although recent TRICARE surveys highlight improvements in beneficiary access to care, NMFA continues to hear of problem geographic locations and scenarios that point to unresolved access issues. TRICARE Prime beneficiaries, including active duty members, continue to tell NMFA they are unable to obtain an appointment at their Military Treatment Facility (MTF) within the Prime access standards. At some locations, we suspect that the full range of resources needed for MTF optimization have not been provided; we have also been concerned about reports of staffing shortages within military Service health care specialties. At other locations, we suspect the problem is rooted in the alternative financing provisions in the TRICARE regional contracts. In TRICARE Regions 1, 2, and 5, the contract calls for the MTF rather than the managed care support contractor to pay for care received by a Prime beneficiary enrolled to the MTF who must be sent for care in the civilian sector. The TRICARE Prime access standard for a specialty appointment is 30 days. Beneficiaries tell us, however, they often are told by clinics and appointment clerks at the MTFs that appointments are not available and that they should "call back next month." They are not offered the option to schedule an appointment with a TRICARE network provider downtown. They report that when they use the magic words "access standard" or ask to be referred to a civilian provider, an appointment often becomes available. NMFA is concerned that the alternative financing contract provision creates a barrier to the cooperation needed between the MTF and the managed care support contractor to ensure beneficiaries receive care within TRICARE Prime access standards.

Today, NMFA's greatest concern about access is prompted by reports from the field that the deployment of military medical personnel is causing more MTFs to exceed the promised access standards for families enrolled in TRICARE Prime. Access standards are part of the promise made to service members and their families when they accepted enrollment in Prime. The public-private partnership of TRICARE was specifically set up so those enrolled could be referred to civilian providers when access standards could not be met using military providers. We strongly believe that allowing access standards to go by the wayside, even for a short period of time, has the potential to negatively harm the readiness of military members who are deployed. A soldier in the field who receives an e-mail from his or her spouse that the MTF has no appointment for their 6-month old child cannot focus completely on the military mission.

When MTFs cannot meet access standards due to the deployment of personnel and are unable to supplement their staffs with Reserve component members or contract providers, they must work with the managed care support contractors to enable their beneficiaries to obtain care in the civilian sector. A robust civilian provider network is essential in ensuring that the TRICARE public-private partnership

works as intended. Although the TRICARE contractors' lists of network providers in many communities seem adequate at first glance, beneficiaries who call these providers for an appointment are often told that they are taking no new TRICARE patients. MTF commanders and the managed care support contractors must work together to ensure that the proper provider mix is available in the community to handle patient demand. MTF staff must also understand the importance of the agreement made with Prime patients to provide care within the access standards. Anecdotal evidence suggests to us that Prime beneficiaries are more likely to be referred to the civilian sector for care within access standards when appointments are made through the managed care contractors. Prime patients should not be asked to delay health care simply because their MTF has deployed staff; families are already supporting the war effort in countless other ways. Where civilian assets exist in the network, they should be used. Where the number of civilian providers is too small to handle the overflow, MTFs must be provided the staff and other resources needed to provide this care in house.

This scarcity of providers is not just a problem for TRICARE Prime patients. Beneficiaries using TRICARE Standard also report that providers are unwilling to have too high a proportion of TRICARE patients in their caseloads. Providers cite problems with TRICARE claims processing, low reimbursement rates, and the hassles associated with becoming authorized as a TRICARE provider as reasons not to participate. Beneficiaries look both to DOD and the TRICARE contractors to ease the administrative burden on providers, fix the claims problems, and ensure that reimbursement rates are set at the proper level. On paper, TRICARE is a very robust health care program and benefit compared to many other insurance plans; however, a robust benefit is no benefit if the beneficiary cannot find a provider willing or able to provide the needed health care.

As we watch DOD prepare to implement a new round of TRICARE contracts, NMFA is concerned that some of the issues affecting beneficiary access, provider satisfaction, and costs to the government may remain unresolved. A clear line of command and accountability must be established so that beneficiaries with problems accessing care or with concerns about the quality of their care can be assured their problem will be fixed. Both MTFs and civilian contractors must be held to high standards for meeting access standards. Beneficiary and provider education must be consistent across regions and must include information not just for Prime beneficiaries and network providers, but also for TRICARE Standard beneficiaries and non-network providers. Although DOD has made progress in improving portability and providing a uniform benefit across the regions, the elimination of regional differences and barriers to portability remains a challenge for the new round of contracts.

As the military Services deploy medical personnel to support overseas missions, beneficiary access to health care must be maintained. Robust provider networks and adequate reimbursement levels to encourage providers to treat TRICARE Standard beneficiaries are needed in the purchased care segment of TRICARE to provide care to beneficiaries unable to obtain care within the MTFs. In the new TRICARE contracts, the rules governing beneficiaries' access to the TRICARE benefit must be standardized across all regions and communicated in multiple formats to beneficiaries and providers.

HEALTH CARE FOR GUARD AND RESERVE FAMILIES

Accessing providers willing to accept TRICARE patients and understanding the benefit and the rules inherent in the military medical system are especially worrisome issues for some of TRICARE's newest beneficiaries: the families of Guard and Reserve members called to active duty. The varieties of Guard or Reserve orders, the complexities of the TRICARE system, and the geographic dispersion of a unit's members and families combine to make communication about the benefit and access to assistance when there is a problem very difficult. TRICARE contractors and representatives of the TRICARE region Lead Agents routinely conduct TRICARE briefings for members of units about to mobilize; unfortunately, in most cases, family members—the people who will actually have to deal with the system once the service member deploys—are not in attendance. If the service member lives in a different TRICARE region from where his or her unit is located, he or she will receive the wrong region's information for the family at the briefing. A service member's enrollment in Prime at his or her mobilization site can also have consequences for family members' options for and costs of receiving care.

DOD eased the transition of Guard and Reserve families into TRICARE by creating a demonstration project to help patients maintain the continuity of care and continue seeing the family's civilian doctor at minimal cost. Many families have not

heard about the demonstration, and thus are unable to make an informed choice about whether to join TRICARE Prime, the lowest cost option in TRICARE. Because Prime is managed care, and Prime patients must go to a provider in the Prime network, the patient may not be able to continue to see their current doctor. The pregnant spouse of a Guard or Reserve member activated for over 179 days should be offered the option of remaining in TRICARE Standard (with no deductible and higher reimbursements under the demonstration) so that she could stay with her civilian doctor even if the doctor is not part of the TRICARE network. Unfortunately, because all families are not being told about this option, some women are signing up for Prime, and then told in the middle of their pregnancies that they must switch providers.

NMFA believes that activated Guard and Reserve members and their families deserve access to the same TRICARE benefit as any other active duty families. We urge this subcommittee to ensure that legislative barriers to this access be eliminated and that it direct DOD to remove regulatory barriers, such as the 179-day requirement for eligibility in TRICARE Prime. NMFA also believes that the continuity of the health care provided to many families of activated Guard and Reserve members could also be enhanced if DOD could do on a larger scale what it is already doing for its own civilian employees who are called to Guard or Reserve duty: paying the cost of their civilian premiums.

Because of the complexity of the TRICARE system, Guard and Reserve families need accurate information tailored for their needs. The number one complaint NMFA hears from Guard and Reserve families about TRICARE is that they do not understand it and thus may be making costly or unwise decisions about how to obtain health care once the service member is activated. NMFA applauds the efforts of the TRICARE Management Activity, regional Lead Agents, and the managed care support contractors for their educational efforts to the Guard and Reserve population and have been working with them to ensure that both service members and their families receive understandable, accurate, and appropriate information concerning their TRICARE benefit and how to use it. NMFA believes that every TRICARE region's Lead Agent should have a Guard and Reserve liaison to improve the flow of accurate information to beneficiaries and provide a reliable source of assistance should beneficiaries experience difficulties.

All families of National Guard and Reserve members mobilized for more than 30 days should have access to a Prime-like benefit or the option of remaining in their civilian health care plan, with premiums paid by the Department of Defense.

SUPPORTING THE SCHOOLS THAT SUPPORT OUR CHILDREN

Congressional assistance for schools—both DOD and civilian—that educate military children will be very important this year. Schools' mission to ensure military children are focused on learning became more complicated with the terrorist attacks and the subsequent deployments. Children are affected by the absence of a parent, even when the parent is just on a civilian business trip. Knowing the parent is away on a military mission that is featured on the nightly news adds tremendously to the stress for the child. Children under stress may "act out" in class or may not be able to concentrate on school work. The uncertainty of deployment length and, in some cases, the uncertainty about the whereabouts of the deployed member raises the stress level even further. Fears about possible further terrorist acts in the United States make things worse as children ask: "Why did Mom or Dad have to leave when we might be in danger here?"

NMFA thanks this subcommittee for its support of schools operated by the Department of Defense Education Activity (DODEA). DOD schools have received a wealth of favorable publicity during the past year on their test scores, minority student achievement, parent involvement programs, and partnership activities with the military community. The quality of these schools is a testament not only to the generous support provided by the government, but also military families' commitment to quality education. Reports of DODEA cutbacks, necessitated by across-the-board rescissions within DOD, raised concerns among parents of children in DOD schools that the traditional high level of support services and program offerings might not be available just when they are most needed. We ask this subcommittee to help ensure that DOD schools have the resources necessary to provide quality education to military children in this difficult environment.

Because approximately 80 percent of military children attend civilian public schools, NMFA is also grateful for congressional support of quality education for these children and their civilian classmates. Congressional authorization and appropriations for DOD funding to supplement Impact Aid, and the additional funding for schools educating severely-disabled military children, helps those districts most

affected by the military presence. Given the continued underfunding of the Impact Aid program as well as the demands placed on these schools and the children they serve, NMFA recommends this funding be increased to $50 million for fiscal year 2004, with at least 10 percent designated to support districts educating severely-disabled military children. NMFA also encourages the members of this subcommittee to communicate the importance of quality schools in the military community to others in Congress and seek inclusion of Impact Aid funding for all categories of military students in the fiscal year 2004 budget resolution. Now, in the wake of increased deployments and State education budget crises, is not the time to add to military parents' stress level by threatening to pull funding away from their children's schools.

Schools near military installations that educate many military children understand what happens in a deployment situation, but need to ensure that additional counseling and other resources are available to help. They often have access to family support personnel at the installation for assistance. On the other hand, schools with children of now-activated Guard and Reserve members are often dealing with "military children" for the first time and are doing it without that safety net of the installation family center, chaplains, health professionals, and counselors. While there have been some recent stories in the press about school personnel who have harassed or allowed the harassment of military children in their charge, NMFA knows that most school personnel are doing whatever they can to help children during this difficult time. They are calling us, looking for resources on how to set up support groups for children and families or on how to be aware of problems associated with a parent's deployment. Usually, the stresses facing families did not originate with the schools; however a school's inability to support a child through the stresses will affect that child's ability to learn. School can become the one stable element in a family's life during a deployment.

NMFA also urges Congress to be aware that several school districts—both DOD and civilian—are also facing challenges caused by the DOD initiative to privatize military family housing. As more housing for military families is built either on a military installation or in a part of the civilian community, the school district serving that committee may see shifts in enrollment and be called upon to provide more school facilities. NMFA believes that DOD and the Services must share in the solution to the school facility problem caused by the privatization initiative. Many schools will not have the resources to provide adequate school facilities or even buses to move children from the new housing to existing schools within the shortened construction timeline under the privatization ventures. NMFA believes that the increase in the DOD supplement to Impact Aid we have proposed could help school districts deal with facility or transportation needs caused by housing privatization. Additional funding may also be needed for DOD schools at CONUS installations undergoing privatization.

NMFA urges Congress to ensure that the schools educating military children have the resources they need to provide high quality education in a secure setting. They must also have the resources to provide counseling and other assistance to students and families and training to teachers on the issues facing families of deployed service members.

MILITARY CHILD CARE

The military's child care system remains the national benchmark against which other programs are measured. High rates of accreditation, quality facilities, and well-trained staff are a testament to the priority given military child care by Congress and DOD. Despite considerable progress, NMFA sees some continuing challenges for DOD in meeting the child care needs of the force without breaking the bank or compromising quality. Approximately 63 percent of military spouses are in the work force. Dual-military members with children make up 2.5 percent of the force; 6.1 percent of service members are single parents. In 2002, the Services met approximately 65 percent of the reported child care need and expected to meet only 80 percent of that need by 2007.

NMFA hears of ever-increasing demand for child care and youth services from service members and families. In recent testimony, for example, Sergeant Major of the Army Jack Tilley noted that during 2002, 27 percent of enlisted soldier parents reported lost duty time due to a lack of child care. Demand is especially growing for after-hours care or care closer to families' homes off the installations. Some installations have responded with extended duty child care, both at Child Development Centers and in Family Child Care homes, or are even waiving families' copayments for these extended hours. As of September 2002, the Marine Corps, for example, had approved installation requests totaling more than $200,000 to support

child care needs resulting from Operation Enduring Freedom and related contingencies.

Child Development Centers and Family Child Care homes, however, cannot meet all of the need, especially for families living off the military installation. Most Guard and Reserve families do not live near a military installation where they can access a military Child Development Center, even if it had space for their child. Approximately 53 percent of Selected Reserve members are married with children; 5.4 percent of Reserve component members are single parents, compared with 6.2 percent of the Active Force. When the service member is not home to help care for children, the family needs more child care. In some cases, military spouses are quitting their jobs or dropping out of school because they cannot find the child care they need at an affordable rate.

Since 2000, DOD has had the flexibility to increase the availability of child care and youth programs through partnerships with civilian agencies and other organizations. The Services set up pilot programs to take advantage of this flexibility and obtain more care for children off the installation; however, less than 10 percent of DOD child care is provided off-base. Guard and Reserve families, as well as active duty families living and/or working longer distances from an installation need assistance not just with finding quality child care near their homes, but also in paying for that care. When a military family enrolls their child in a military Child Development Center or Family Child Care home, the cost of that child's care is shared between the government through appropriated funds and the service member. When a military family who cannot access child care through the military places their child in a civilian child care facility, that family bears the entire cost.

Because the Reserve components are essential to today's military mission, the child care needs of activated Guard and Reserve members must be calculated in DOD estimates of demand for child care services and assistance must be given to these families in accessing child care. This should start with referral services, but will probably also need to include subsidies for certain members. Another possible way to assist service members in paying for child care would be to set up flexible spending accounts through which military families could pay child care expenses with pre-tax dollars.

NMFA urges DOD to intensify its efforts to increase access to child care for military families unable to use Child Development Centers and Family Child Care providers located on military installations. NMFA urges Congress to provide the resources necessary to assist families of all service members called to support contingency operations in accessing and paying for necessary child care services.

SSI AND THE COSTS OF SERVICE

Supplemental Security Income (SSI) is a special monthly payment from the Social Security Administration based on disability or blindness for persons with limited income and resources. Children under age 18 who are disabled or blind and have limited income and resources are also eligible. In many States, qualification for SSI automatically enables recipients to qualify for extended Medicaid services for the disabled. Some of the approximately 78,000 military family members enrolled in the Exceptional Family Member Program also qualify for SSI. Military families report that, while they appreciate the extra income, the real benefit to SSI qualification is that their disabled child can receive Medicaid. In many States, Medicaid will cover items such as personal care support, respite care, medical supplies, and certain therapies that TRICARE does not provide. Although TRICARE pays first for covered benefits for military beneficiaries, Medicaid is the safety net that enables these families to receive the extra support they often need to support the disabled child at home.

Because SSI eligibility is income-based, the complexities of the military pay and allowance system often create difficulties for families in qualifying for SSI or for retaining the payments and the accompanying Medicaid services. Families understand why they might lose certain safety net benefits as they receive pay raises. What puzzles them and NMFA is why they lose SSI benefits because of a DOD requirement related to the service member's service. Two DOD requirements currently threaten some of the most vulnerable military families' eligibility for the services they need. When military housing is privatized, by law, the service member must be paid Basic Allowance for Housing (BAH). When the BAH shows up on the service member's Leave and Earnings Statement (LES), it appears that the family income has increased even though the family is living in the same house and the BAH is immediately paid as an allotment to the developer of the housing for rent. Other military members find that, when they are deployed on contingency missions, the

additional allowances and special pays, such as Family Separation Allowance and hazardous duty pay, will also remove the child from SSI eligibility.

Military families are not asking for more benefits than those to which they are entitled. They believe, however, that a DOD requirement such as payment of BAH for privatized housing or orders to deploy in service to their country should not disqualify their disabled child from receiving the services he or she needs. Service members look for Congress to understand that their child should not be penalized by their military service.

NMFA urges this committee to work with committees with oversight over Social Security to help protect service members with severely-disabled family members from losing access to SSI and other safety net programs and benefits when their income is changed due to requirements of the Department of Defense.

MILITARY SPOUSE EMPLOYMENT

NMFA looks forward to seeing the DOD report requested in the NDAA for Fiscal Year 2002 and still owed Congress on the status of military spouse employment programs. A military spouse's ability to gain job skills and maintain a career despite multiple moves contributes to the financial well-being of the military family and its satisfaction with military life. A spouse who is provided with opportunities for employment and career advancement will be more likely to encourage the service member to remain in the military. Conversely, the prospect that the spouse would have to give up a good job—found with difficulty—and start over again after the next move with no assistance in finding employment may prompt a family decision that the service member should leave the military. NMFA is not asking DOD to create a jobs program for every military spouse; DOD is needed most to facilitate the transition of mobile military spouses into already existing opportunities and to target efforts where spouses are having the greatest difficulty accessing educational programs or employment.

Sixty-three percent of military spouses are in the labor force, including 87 percent of junior enlisted spouses (E–1 to E–5). The loss of the spouse's income at exactly the time when the family is facing the costs of a Permanent Change of Station move is further exacerbated when a spouse is unable to collect unemployment compensation due to provisions of State laws. In many States, the military spouse is not eligible to collect unemployment compensation when unemployment is due to the service member's change of duty location. States frequently determine that the decision of a military spouse to move with the service member is a "voluntary quit" and the benefit is denied. Spouses need the assistance of the military leadership and possibly friends in Congress to help raise the level of awareness about the inequities of these determinations so that more States will approve unemployment compensation for military spouses.

FORMER SPOUSE PROTECTION ACT

NMFA supports the proposals included in the 2001 DOD report on the Former Spouse Protection Act (FSPA), including changes to make the treatment of survivor benefits fairer to both the current and former spouse. For example, under current law if a former spouse is awarded benefits under the Survivor Benefit Plan (SBP), a current spouse is not also eligible for SBP. NMFA recommends the subcommittee approve a prospective provision to permit multiple payments of SBP based on a proportional share of the retired pay received by the former spouse(s) and the retiree. Thus, if the former spouse is awarded 50 percent of the retired pay, a retiree may make an election to award the remaining 50 percent to the current spouse. NMFA supports a related proposal to permit a former spouse to waive SBP coverage. Also under current law, even if the retiree and spouse agree and the court issues an order directing that SBP premiums be withheld from the former spouse's share of retired pay, the Defense Finance and Accounting System (DFAS) will not honor the court order. NMFA recommends a change in statute to direct DFAS to honor such court orders. Finally, under FSPA, DFAS must be properly served with an SBP selection in a divorce decree within 1 year of divorce or SBP is forever waived. NMFA recommends repeal the so-called 1-year deemed election period to permit a former spouse to obtain SBP coverage beyond the 1-year limitation.

We also encourage this committee to seriously consider providing medical, commissary, and exchange benefits to 20–20–15 spouses. These former spouses were, for the most part, married to enlisted members and often have low incomes and a real need for opportunities for savings on the necessities of life. As referenced in The Military Coalition's testimony, NMFA strongly opposes any provision that would impose restrictions on retired pay awarded as property to former spouses in a divorce, such as limiting the number of years they could receive the retired pay. We believe

the DOD proposal of basing property awards on the service member's rank and years of service at the time of divorce rather than time of retirement more accurately and fairly considers the length of marriage.

TAX RELIEF FOR MILITARY FAMILIES

NMFA is pleased that legislation is before Congress that would correct the oversight in the 1997 tax law that changed the capital gains on the sale of a personal residence without providing specific remedies as the previous law had done. We certainly hope that this year will finally see the oversight corrected.

MILITARY FAMILIES AND COMMUNITIES—READY TO MEET THE MISSION

Members of the Uniformed Services—active and Reserve component—are doing the Nation's work today all over the world. They ask the Nation to give them the tools they need to do that job: equipment, training, and leadership. They also look to the Nation for recognition that their job is not nine to five and that it involves their families in ways few other jobs demand. Military members and their families want the Nation to understand that the military family drives retention decisions, that the family's quality-of-life is a readiness requirement, and that even a community as strong as the military community will fall apart if it is asked to do too much with too little for too long. They also look to the Nation to understand that quality-of-life is not just about pay. It is about having a safe, well-maintained place to live. It is about access to quality health care without bureaucratic complexities. It is about a quality education for children. It is about meeting the aspirations of a spouse for a career and a couple for a secure retirement. It is about respect for a job well done.

We thank this subcommittee and Congress for your advocacy for pay and benefit improvements necessary to retain the quality force that now protects our homeland and wages war against terror. Your actions have helped to rebuild military members' trust and to ease the crisis in recruiting and retention. We ask you to remember that in time of war, even more than during peacetime deployments, mission readiness is tied to service member readiness, which is tied to family readiness. The stability of the military family and community and their support for the force rests on the Nation's continued focus on the entire package of quality-of-life components. Military members and their families look to you for continued support for that quality-of-life. Please don't let them down.

STATEMENT OF STEVE ANDERSON, LEGISLATIVE COUNSEL, RESERVE OFFICERS ASSOCIATION

Mr. ANDERSON. Mr. Chairman, Senator Nelson, I am pleased to have this opportunity to present the Coalition's legislative priorities for the Reserve components of our Armed Forces and their families to you today.

Today, there are more than 175,000 Reserve component sailors, soldiers, marines, and airmen on active duty overseas in the anticipation of action in Iraq, and serving here at home, providing security against terrorism within our own borders. Today, more than ever, our Reserve Forces are a critical element to the total force equation.

We stand at a crossroads in the history of the total force, a point where we seek to redefine the relationship of the Reserve Forces to our national defense establishment. Today, we find ourselves considering how to balance Reserve participation in a steadily rising number of contingency missions, along with the realities of reservists' civilian duties and occupations and familial obligations.

It is imperative that we optimize Reserve missions and, to the greatest degree possible, enhance service in the Reserve to make it meaningful, rewarding, and attractive for service members and their families. To this end, we recommend that the committee consider the following provisions for inclusion in the National Defense Authorization Act for Fiscal Year 2004.

Reserve income protection. In the past, Congress has recognized the need for some kind of income security legislation for mobilized reservists whose military income does not match their civilian income. With the prospect of continual periodic mobilizations of uncertain length becoming the norm rather than the exception in the Reserve careers of our soldiers, some provision must be made to ensure that a call to active duty is not a call to financial disaster for mobilized reservists.

If reservists see bankruptcy looming behind every mobilization, they will not continue to be reservists. If we want them to continue to serve, we must find a way, based on best business practices, to provide income security for those who serve. Failure to do so will fatally undermine the readiness of the Reserve components of the Armed Forces and, with them, the total force.

The second issue I would speak to today is academic protection for mobilized reservists. The Coalition is aware of a growing number of cases of denied academic credit, lost academic status, and financial difficulties experienced by service members mobilized or deployed in support of contingency missions.

The problem is not new. It occurred widely during the Gulf War, but no formal corrective action has been taken since then. If the Nation is to routinely mobilize and deploy large numbers of service members, they must be assured of reasonable protections when their academic work is interrupted.

Comparable economic and legal protections are available under the Soldiers' and Sailors' Civil Relief Act. The time has come to authorize similar protections for service members whose academic status and standing is threatened through no fault of their own. The Military Coalition recommends that the committee endorse legislative proposals to afford academic and financial protections to military post secondary students mobilized or deployed in support of contingency missions.

That concludes my opening statement. I would be happy to answer any questions you may have.

Senator CHAMBLISS. Thank you.

Mr. Lokovic.

STATEMENT OF JAMES E. LOKOVIC, DEPUTY EXECUTIVE DIRECTOR AND DIRECTOR, MILITARY AND GOVERNMENT RELATIONS, AIR FORCE SERGEANTS ASSOCIATION

Mr. LOKOVIC. Mr. Chairman, Senator Nelson, my comments will briefly reflect on the Coalition views on two important retiree issues from our written statement that we submitted earlier. The first pertains to a Survivor Benefit Plan, and the second is to briefly underscore the commitment of the Coalition on the concurrent receipt issue. These two issues call for immediate attention, in light of the current posture of our Armed Forces and our ability to deal with those who may pay a severe price, or the ultimate price.

First, the Coalition supports repeal of the age 62 Survivor Benefit Plan (SBP) annuity reduction. As a matter of fact, Coalition representatives visited several congressional offices this morning to underscore that need.

As this committee knows, when an SBP-enrolled military retiree passes away, if the surviving spouse is younger than age 62, the

survivor continues receiving 55 percent of the military member's retirement pay. However, once the survivor reaches age 62, that annuity is reduced to 35 percent of that retirement base. The Coalition asks this committee to eliminate the 20 percent age-62 offset, and while we prefer that this offset be removed immediately, S. 451, introduced by Senator Snowe recently, is a reasonable approach that would phase out the offset increments between the bill's enactment on October 1, 2007.

The Coalition urges elimination of the SBP offset for three important reasons. First, many retirees who signed up for SBP in the 1970s and the early 1980s were not adequately informed about the offset. Second, and perhaps most important, the Pentagon admits that the 40 percent DOD subsidy that Congress intended for SBP has now dropped to approximately 17 percent.

Let me reiterate that. By congressional intent, under the SBP program, DOD was to pay 40 percent and the retirees were to pay 60 percent. DOD is now paying approximately 17 percent. The retirees are paying approximately 83 percent. I can only imagine, if it were the other way around, that there would be calls for quick action. Accordingly, we ask for quick action on behalf of the retirees and their survivors in eliminating this offset.

Another reason to get rid of the offset, and the final one I will mention, is that when you compare the military SBP program to that which is available for Federal retirees, they enjoy a much higher subsidy, 33 to 48 percent, and receive a 50 to 55 percent program without any reduction at age 62. We urge this committee to work to eliminate that age 62 survivor annuity reduction.

Finally, as regards the concurrent receipt issue, there is little that we can say to you. No need to spell the issue out. You are well aware of the details of it, and you certainly get more mail than we do on the subject.

While the Coalition regrets that more comprehensive concurrent receipt legislation fell by the wayside at the end of the 107th Congress, we are grateful that some progress was made, and we anxiously await the details of DOD's determinations on eligibility and application procedures and so forth for the special compensation for the combat-disabled. Senator Warner referred to that as the beachhead upon which to build towards full concurrent receipt, and we certainly agree with that.

We hope that DOD makes the process as wideranging and fair and simple as possible when they announce the details in the coming months, and this Coalition will continue to work to restore full retired pay for those with VA service-connected disabilities, an effort supported during the 107th Congress by 90 percent of the Members, and certainly the vast majority of the retired veterans. With this committee's help, we believe that we will ultimately succeed on the effort.

Mr. Chairman, that concludes my portion. Dr. Schwartz will now speak briefly about health care issues.

[The prepared statement of Mr. Lokovic follows:]

PREPARED STATEMENT BY CMSGT (RET.) JAMES E. LOKOVIC

Mr. Chairman and distinguished committee members, on behalf of the 136,000 members of the Air Force Sergeants Association (AFSA), thank you for this opportunity to offer our views on the military personnel programs that affect those serv-

ing our Nation. AFSA represents active duty, Guard, Reserve, retired, and veteran enlisted Air Force members and their families. Your continuing effort toward improving the quality of their lives has made a real difference for those who devote their lives to service, and our members are grateful.

107th Congress Accomplishments: From the standpoint of enlisted members, a few of the more-notable accomplishments of this committee during the 107th Congress included:

(1) higher-than-mandated-by-law military pay raises, with further targeting for senior NCOs;

(2) increased housing allowance dollars for most personnel;

(3) improvement in permanent change of station (PCS) move out-of-pocket reimbursement and policy changes;

(4) an extension of the length of the Selective Reserve Montgomery GI Bill program from 10 to 14 years;

(5) expanded protections for Guard and Reserve members who are called up;

(6) a permanent reduction from 8 to 6 years for the number of years of continuous Reserve component service needed immediately before retirement;

(7) inclusion in the Special Compensation for Severely Disabled Retirees those who had at a 60-percent or higher VA disability rating within 4 years of retirement and who served at least 20 years of service;

(8) coverage of active duty dependents in the Service members Group Life Insurance program;

(9) the provision of Survivor Benefit Plan (SBP) coverage to survivors of service members who die on active duty prior to reaching retirement age;

(10) your prohibition against DOD forcing military retirees to choose between DOD and VA health care;

(11) further refinements to TRICARE related to travel, TRICARE Prime Remote, and transitional health care benefits; and

(12) your action to ensure that the retiree health care trust fund covers all retired Medicare-eligibles, regardless of age, in private sector or military facilities.

107th Congress Disappointments: AFSA members are well aware that this committee worked very hard on some issues that resulted in success, and others which we hope you will readdress. Areas that various members of Congress pursued on behalf of our members which, unfortunately, did not come to fruition during the 107th Congress included "failures" to:

(1) allow those receiving VA disability compensation to collect full military retirement pay. This was especially disappointing to hundreds of thousands of veterans since the legislative branch was almost unanimous in its support, but with the executive branch prevailing at the 11th hour;

(2) eliminate the 20-percent reduction in the SBP survivor annuity that occurs at age 62, and to accelerate the SBP "paid-up" provision for those 70 years old who have paid into SBP for at least 30 years;

(3) provide a waiver of the Medicare Part B late enrollment penalty to facilitate TRICARE for LIFE participation;

(4) reduce the earliest Guard and Reserve retirement age from 60 to 55; and

(5) improve the quality of the program used to ship military household and personal belongings changing the selection of carriers from "low bid" to "high quality and customer satisfaction;" and failure to treat service members fairly and equitably by repealing the Uniformed Services Former Spouses Protection Act.

Mr. Chairman, below are several specific goals that we hope this committee will pursue on behalf of current and past enlisted members and their families. I will present them in categories with a brief explanation for each. Of course, we are prepared to present more detail and to discuss these issues with your staff and those of the members of this committee as you desire. Our members have tasked us with pursuing the following goals through e-mails, letters, phone calls, and personal visits throughout the year.

MILITARY PAY AND COMPENSATION

Mr. Chairman, although military members obviously do not serve their Nation to gain wealth, we do owe them a decent standard of living. This is even more important today because America's is an All-Volunteer Force, and because this Nation increasingly tasks military members and often separates them (for greater lengths of time) from their families. We ask this committee to seriously consider the following comments relative to military pay and compensation.

• Continue Enlisted Pay Reform. We applaud your efforts in recent years to ensure that all military members get the minimum annual pay raise in accordance

with congressional intent by formula (Employment Cost Index [ECI] plus one-half percent). AFSA supports further targeting. However, we caution the committee on the perception among the force that might be created if the lowest ranking enlisted members receive below the congressional formula—so that dollars can be transferred to the higher ranking members. We support higher senior NCO pay raises, but believe that if a "rob Peter to pay Paul" approach is to be used, it should not be by taking pay away from the lowest ranking military members; perhaps it should come from above.

• Resist Efforts to Change the Military Pay Formula. This committee was instrumental in protecting the troops by tying military pay growth to the growth of wages in the private sector (by focusing on the ECI). Recent administration suggestions to tie future annual military pay raises to the Consumer Price Index (CPI) alarm military members with the prospect of significantly lower annual pay adjustments. AFSA urges this committee to resist administration efforts to lower military pay raises by abandoning the current formula.

• Reform the Basic Allowance for Housing (BAH). There is room for significant correction and improvement in the methodology used to determine BAH. Enlisted members most significantly feel the brunt of these problems. For example, the only enlisted members whose BAH square-footage and, therefore, dollar amount are based on stand-alone dwellings are E–9s. The BAH amount for all enlisted grades below E–9 is based on apartments and townhouses. Several BAH-related complaints we receive:

• Local commanders should be given significant influence in determining which housing areas should be incorporated in the "surveys" that determine BAH amounts. The housing "surveys" are done (by a DOD-contracted company) using a limited "catchment area" (usually 20 miles) around each base/post, regardless of where the population of the base actually resides. For example, half of the base population of Mountain Home AFB, Idaho, lives in Boise, Idaho, about 45 miles away from the base. They live in Boise because that is where adequate housing, malls, stores, schools, job opportunities, etc., are located. However, the only town and, therefore, surveyed housing that falls within the survey catchment is Mountain Home, Idaho, a very small town with very limited housing. Therefore, the dollar amounts that Mountain Home AFB base personnel receive under the BAH system are clearly inadequate for their needs. Also, within given local "catchment" areas, there may be unsafe, relatively depressed areas where commanders do not want their people to reside. These commanders should be able to exclude these areas from survey consideration. Once again, AFSA urges this committee to give commanders significant input into what areas should be incorporated in the surveys that determine BAH amounts. Additionally, we ask this committee to mandate that the contracted company which accomplishes the surveys should be required to make details of their surveys (i.e., what housing in which areas were surveyed, when, how, etc.) available to the public.

• Increase the square footage standard used to determine BAH for enlisted members. Frankly, the BAH system is designed in such a way that it relegates part of the force to the "wrong side of the tracks." Because the amount of BAH for each grade is based on designated amounts of square-footage (fewer square-feet for lower grades), the housing available in a given area to include in the survey is usually far more limited (and usually of more inferior quality) for the lower grades. E–1s through E–4s, receive amounts based on more limited, lower standard housing—because that is all that is available within the survey area with the limited square-footage allocated to them. Each time Congress has increased BAH "to eventually eliminate average out-of-pocket expenses," some lower ranking service members saw little to no increase in BAH because the inferior housing used to determine their BAH level does not increase in value like it does in the more-affluent areas. Remember, the BAH system is designed to provide higher square footage to the higher ranking personnel; it is these members whose BAH is based on better housing in more affluent areas that offer homes with the square-footage that applies to them in the survey.

• Provide those stationed in Korea the same tax advantages and special pays afforded to those stationed in "hostile" areas. With the challenges and austere conditions service members face in Korea, the daily threat from North Korea, and the risks inherent in the geopolitical situation relative to the Korean peninsula, it is only fair to provide equitable tax and pay for these members who, in a real sense, are serving on the tip of the sword.

We urge this committee to take action on this now in recognition of those who we station in Korea.

• Reduce the threshold of eligibility for CONUS COLA from its current level of 108 percent of the national median. Several large city areas (such as Washington, DC) do not receive CONUS COLA. We urge this committee to take another look at which municipalities receive CONUS COLA.

• Provide Guard and Reserve members equity in Career Enlisted Flier Incentive Pay (CEFIP). It is unfair that members of the Guard and Reserve receive a fractioned CEFIP (based on a 1/30 formula for each day flying). CEFIP recognizes the extraordinary challenges and risks associated with military flight. As such, Guard and Reserve fliers should be paid on the same "whole month" basis as other military fliers.

• Establish a standard, minimum re-enlistment bonus for all re-enlistments. Air Force enlisted members (particularly those in leadership positions) have told us several times that there ought to be a minimum re-enlistment bonus. Selective re-enlistment bonuses are paid to those with between 21 months and 14 years of service. Those who re-enlist after the 14-year point receive no re-enlistment bonus. Remember, an enlisted member can serve as long as 30 years. Because we want to keep leaders in critical skills and they must lead those who are receiving these, sometimes lucrative, bonuses, it would help morale to provide some type of re-enlistment bonus to all who re-enlist.

• Pay Hazardous Duty Incentive Pay (HDIP) to military firefighters. Regardless of service, there is no military job inherently more hazardous than firefighters. Civilian firefighters who serve side-by-side with military firefighters already have this risk factored into their Federal civilian wage scale. Military firefighters get no such additional compensation to recognize their extraordinary risk. At a cost of about $9 million per year to cover the military firefighters (those whose AFSA, MOS, or NEC is primarily as a firefighter) for all services, this would be an equitable, relatively inexpensive addition to those entitled to receive HDIP.

EDUCATION BENEFITS

Although some educational programs for military members fall under the primary jurisdiction of the Veterans' Affairs Committee, some are at least partially a matter of concern of this committee and the jurisdiction of the Department of Defense. As we travel to bases around the world, AFSA members most often ask us to convey the following desires to this committee:

• Provide an enrollment opportunity for those who turned down the Veterans Educational Assistance Program (VEAP) to enroll in the Montgomery GI Bill. Over 100,000 currently serving military members (35,000 in the Air Force alone) turned down the VEAP program when it was offered to them. VEAP was a relatively poor, insufficient, poorly counseled educational program which preceded the Montgomery GI Bill (MGIB). In contrast, the MGIB is a much more realistic, more-beneficial program that would help these members in their transition back into civilian life after their time in the military. Unfortunately, many of those who turned down the VEAP program are now leaving service with no transitional education program. The CBO has set the worst-case cost for this offering at $143 million over a 5-year period. We believe that these members, many of whom brought us through conflicts including the Persian Gulf War, Somalia, Bosnia, Kosovo, worldwide peacekeeping missions, conflicts not publicly reported, and the more-recent worldwide war on terrorism, deserve an opportunity to enroll in the MGIB. Many of these men and women would lead us into battle in Iraq if that eventuality comes about.

• Increase the value of the MGIB to cover the costs of tuition, books, and fees at an average 4-year college or university. Just as the World War II MGIB transformed an entire generation and is credited with creating the middle class in this Nation, a transformation of the MGIB would also have a significant impact on our Nation's economy. It is often said that $3 are returned to the economy in terms of taxes, productivity, quality, etc., for every dollar the Nation invests in education. United States citizens who join the military with the understanding that their employer may ask them to give up their lives deserve a fully paid education, similar to that provided by many companies in civilian industry.

• Ensure that all MGIB enrollees have the same program with the same benefits. Due to changes and additions to the law, only some MGIB enrollees may transfer a portion of their benefit to family members. Similarly, only some MGIB enrollees may pay more into the program to increase the value of their program. We urge

this committee to exert its influence to standardize the MGIB so that it is the same for all who are enrolled in the program.

• Allow members to enroll in the MGIB at any time during their first enlistment. Regrettably, military members are given only one opportunity to enroll in the MGIB. That opportunity occurs very quickly during Basic Military Training when most would least appreciate the opportunity and can least afford it. Additionally, they must "pay" to have this educational benefit; to enroll in the MGIB they must agree to give up $100 per month for the first 12 months of their career. Many military members are surprised by this $1,200 fee and view it as an insincere military benefit offering because of the one-time irrevocable decision—when they are least prepared to take advantage of it. However, so long a $1,200 DOD payroll reduction for each MGIB enrollee is part of the program, AFSA believes we should at least provide young military members an opportunity to enroll at any time during their first enlistment. Of course, elimination of the $1,200 MGIB DOD payroll deduction would make the time of enrollment a moot point. We urge this committee to help work to allow members to enroll in the MGIB after Basic Military Training.

• Provide military members and their families in-state tuition rates at federally supported state universities immediately upon arrival at the gaining station. Military members are moved to stations around the world at the pleasure of the government. Yet, they are treated as visitors wherever they go. Fairness would dictate that, for the purposes of the cost of higher education, they be treated as residents so that they can have in-state rates at federally supported colleges and universities in the state where they are assigned. Some States provide in-resident rates after the military member has lived there at least 1 year despite the fact that most members are, at a minimum, going to be there at least 3 years. Remember, we are talking about military members, many of whom are serving their Nation at relatively low compensation levels. We would ask this committee to exert the necessary influence to require federally-supported institution to consider military members assigned in their state as "residents," for the purposes of tuition levels.

• Remove the annual Tuition Assistance (TA) cap. Military members are offered TA to help them advance their civilian educations. However, an annual cap of $4,500 is placed on the amount of TA they may receive. For those who are working on graduate programs or whose programs have laboratory segments, for example, the $4,500 cap may not be sufficient. Because the few individuals we are talking about are demonstrating the desire to improve themselves and their value to their given jobs would most likely be enhanced, it would be a good investment to allow them the full TA needed to pursue their educational objectives. We ask this committee to remove the annual TA cap.

• Ensure full Impact Aid funding. We would ask this committee to closely scrutinize the funding levels for Impact Aid as presented in the administration's fiscal year 2004 budget plan which has submitted levels that underfund needed Impact Aid by approximately $127 million. This is a 9-percent reduction from fiscal year 2002 levels. 15 million students in 1,331 school districts nationwide benefit from this program. Funding is used for a variety of expenses, including teacher salaries, text books, computers, after-school programs, tutoring, advanced placement classes, and special enrichment programs. This money is to compensate local school districts for the impact of military bases in their communities. Local schools primarily are funded through property taxes. However, those who reside on a military reservation do not pay into the property tax base. This becomes a burden on local schools if military dependent children attend local, off-base schools. We ask this committee to ensure that sufficient Impact Aid is provided so that the children of military members are not put at risk, or that the military member be required to pay tuition.

HEALTH CARE

As AFSA representatives visit bases, one complaint we often hear is that the dependent dental insurance plan is a very, very poor one. Additionally, in many areas, there is a significant lack of providers. Retirees complain that the retiree dental plan is overpriced, provides inadequate coverage, and is not worth the investment. This is especially upsetting to military retirees since they were led to believe they would have free/low cost, comprehensive, lifetime military dental care. We would ask this committee to address the quality and adequacy of the military dependent and the retiree dental plans. Additionally, we ask you to consider:

• Increase provider reimbursement rates to ensure quality providers in the TRICARE system. Perhaps the greatest challenge this committee faces toward keeping the military health care system viable is retaining health care providers in the TRICARE networks. This challenge goes hand-in-hand with that which is faced by Medicare. If we do not allow doctors to charge a fair price for services performed,

they will not want to participate in our program. If they do not participate, the program will fail. We urge this committee to consider increasing the CHAMPUS Maximum Allowable Charge to higher levels to ensure quality providers stay in the system. Otherwise, military beneficiaries will not be provided adequate health care.

• Provide for a waiver of the Medicare Part B late enrollment penalty to facilitate TRICARE for Life participation. When this committee wisely created the TRICARE for Life (TFL) program, it significantly enhanced the quality of the lives of thousands upon thousands of military retirees, families, and survivors. It, in effect, eliminated the need for Medicare-eligible military retirees, family members, and survivors, to carry a Medicare supplement policy. One requirement for participation in TFL is that the member be enrolled in Medicare Part B. While the basic Part B enrollment cost is not onerous, many military retirees residing near bases declined Part B (some for many years). In order for these retirees, family members, and survivors who did not enroll in Part B when they were first eligible to participate in TFL, they must pay a substantial penalty in order to enroll in Part B. We urge this committee for a one-time enrollment period where those eligible for TFL who are not enrolled in Medicare Part B may do so without penalty. When they declined Medicare Part B when it was first offered, they had no way of knowing that a program like TFL would be offered in the future.

• Upgrade the dental benefit programs for active duty, Guard, and Reserve members, retirees, and their families, especially in localities where inadequate facilities and/or insufficient providers are available. While this committee has no control over the number of providers in a particular locality, it can enhance the programs to promote participation. This can be done by (1) ensuring that providers are treated fairly in terms of reimbursement for the care they provide, and (2) by getting military beneficiaries to (i.e., providing travel to) caregiver locations when dental care (especially specialized care) is needed. In that regard, S. 336, by Senator Pete Domenici, R–NM, would be a good step toward protecting military family members.

• Make all TRICARE enrollment fees and co-payments, TRICARE for Life Medicare Part B payments, and military dental plan enrollment fees and premium payments tax exempt (pre-tax dollars). In those cases where the military member, retiree, family member, or survivor has to pay co-payments for medical care, the exemption of the amount they must pay would be a great benefit enhancement. This would be particularly true for those who are older and on fixed incomes.

• Provide Guard and Reserve members and their families with a comprehensive TRICARE benefit. This is critical to ensure the deployability of the member, and it is important that his/her family is protected when the military member is away from home serving his/her Nation. We owe these patriots a comprehensive program.

GUARD AND RESERVE ISSUES

• Provide full payment of lodging costs to a lodging facility for the duration of a mobilization order when a guardsman or reservist is called to active duty by section 12301, 12302, or 12304 of Title 10. This adjustment is needed because the payment of lodging per diem is not authorized for members on Temporary Duty (TDY) during periods of leave or a return to the Place from Which Called (or Ordered) to Active Duty (PLEAD). When per diem is not paid, the reservist who departs the area, however briefly, has to check out of lodging or pay lodging expenses out-of-pocket. For example, we are penalizing them if they want to briefly return home to address the concerns of the families from which they have been separated by the mobilization. This has an extremely negative financial impact, particularly for lower-ranking members. It also could have an impact on the retention of mobilized members following demobilization. Additionally, it is extremely disruptive to lodging facility contractors with the members' constantly checking in and out of quarters; this can cause financial problems for the facility managers who have an expectation of continuous occupancy for a finite period of time. Of special significance to this committee, there would be no/negligible cost to implementing this suggestion since all mobilization expenses are budgeted and set aside for the duration of mobilization orders.

• Reduce the earliest retirement age (with full annuity) for Guard and Reserve members from 60 to 55. These members are the only Federal retirees who have to wait until age 60 to enjoy retirement benefits. These citizens who fight for our Nation deserve to have a better retirement program. Lowering the retirement age would more adequately reward their service, and provide for upward mobility in the force (ANG and Reserve members are primarily promoted by vacancy). Keep in mind that Reserve retirement is significantly lower than that provided to active duty members. Reservists accumulate points based on their service and training. They must accumulate sufficient points in a given year for it to be a "good year." They must achieve 20 "good years" to qualify for retirement. The amount of their

retired pay is based on the total points they have accumulated. AFSA believes that these members ought to be able to retire upon completion of their "good years" requirements. However, considering funding limitations, the least, fair thing that should be done is to provide them Federal retirement equity by letting them retire as soon as age 55. We urge this committee to do so. Since DOD has conducted and contracted studies of reserve compensation in recent years, we believe there is little to be gained by the DOD study mandated in the NDAA for Fiscal Year 2003 other than to delay serious consideration of the issue. We urge this committee to support the provisions in H.R. 742 and its pending Senate companion legislation. Introduced last year as S. 2250 by Senator Jon Corzine, D–NJ, his staff tells us that he will soon reintroduce the measure. We urge this committee to support the effort.

• Eliminate the annual cap on inactive duty training points creditable for retirement. Guard and Reserve members accumulate points based on their service and training. These points eventually determine the member's level of retirement pay. However, there is a cap in each given year on how many points a member can apply toward retirement. In recent years, that cap was increased from 60 to 75, then from 75 to 90 (where it currently stands). AFSA believes that the member should be able to apply all points accumulated toward retirement pay calculations. We ask the committee to examine this and, if possible, to eliminate the annual point cap.

• Address the concerns of those who employ Guard and Reserve members. As members of this committee know, employer support of the Guard and Reserve is a critical element of Guard and Reserve success. At a time when over 200,000 such members have been called to active duty to support the war on terrorism and the impending war in Iraq, we need to act now. We urge the committee to provide tax credits to employers who employ members of the Guard and Reserve and to self-employed Reserve component members.

• Reduce out-of-pocket expenses of those who serve. We ask this committee to restore full tax-deductibility of non-reimbursed expenses related to military training and service for Guard and Reserve members. The cost of military service for a guardsman or reservist should not be financial.

• Enhance Air Reserve Technician (ART) retirement eligibility. ARTs are both military members and civil servants. These unique patriot/citizens need unique retirement criteria recognizing their singular contribution to our military's success. We urge this committee to make all Air Reserve Technicians eligible for an unreduced retirement at age 50 with 20 years of service, or at any age with 25 years of service, if involuntarily separated.

• Provide full Basic Allowance for Housing (BAH) to TDY Guard and Reserve members, and those activated (even if less than for 139 days). Guardsmen and reservists are generally removed from their civilian employment when "called up." Once deployed, their need to protect their family does not go away nor does their obligation to make their full house payments. This committee can greatly assist these military members by ensuring that they can continue to provide homes for their families through the provision of full BAH.

• Eliminate the Commissary Privilege Card (CPC) requirement and provide full, year-round commissary benefits for Guard and Reserve members. At the present time, members of the Guard and Reserve are limited to 24 visits per year in military commissaries. Allowing full, year-round access is a benefit long overdue. The CPC (a card to track commissary visits) costs millions of dollars to administer each year; we have seen estimates from $2 to $13 million per year. Whatever the specific cost, providing full, year-round commissary benefits for guardsmen and reservists would eliminate this unnecessary administrative expense of the CPC. More important, it would be the right thing to do. These military members are critical members of this military nation's team; it is time to treat them as such. We urge this committee to give them full, year-round commissary benefits.

• Apply the 44-day contingency leave rules for Air Reserve Technicians at CONUS locations stationed in response to homeland defense taskings. The 44-day leave policy first came out to be used only outside of the continental United States (CONUS), its territories, and its possessions for noncombatant operations. This "military leave" is a time set aside for Federal Civil Servants who are military members to perform military duty without civil service pay penalties. Public Law 106–65, section 1105 (the NDAA for Fiscal Year 2000) eliminated most restrictions on the use of 44 workdays of military leave. The new law can include any type of operations, combat or noncombatant, outside the U.S., its territories and possessions. It is time to make this 44-day contingency leave rule apply within CONUS as well. It would allow these citizen soldiers to avoid having to use Leave Without Pay, and make it more efficient for them to serve and, at the same time, protect their families by more easily satisfying their financial obligations. We urge this committee to

apply the 44-day contingency leave rules for Air Reserve Technicians at CONUS locations stationed in response to homeland defense taskings.

• Expand the Soldiers' and Sailors' Civil Relief Act (SSCRA) to fully protect Guard and Reserve members who are activated, including mortgage and interest payment relief. Attention in this area is critical at this time. As members of the Guard and Reserve are increasingly activated and sent away from their primary civilian occupation and their home, they must be adequately protected. We urge that this committee expedite consideration of full protection of the rights of guardsmen and reservists by their full inclusion in the SSCRA.

MILITARY STORES

• Ensure the quality of service in military commissaries. In the NDAA for Fiscal Year 2003, this committee tasked DOD with ensuring that the quality and level of service not be reduced. Your mandate in this regard was in response to independently-generated DOD cuts in manpower and its own Defense Commissary Agency (DeCA) budget last year. AFSA members were alarmed by DOD's decision to cut 2,600 manpower positions and its own DeCA budget by over $100 million. During base visits, we have received several comments about longer lines, fewer registers open, and shelves less stocked. While these comments should not be used to indict the entire system, they do suggest that the DeCA cuts may be starting to impact the quality of the benefit. AFSA is most concerned that once this benefit starts to erode (by DOD actions) such a decline in the benefit might continue. We again urge this committee to require some type of independent (independent of DOD) assessment of the consistency and maintenance of the quality of the commissary benefit. We also ask the committee to resist DeCA policy/practice changes that would reduce the benefit, increase the surcharge, or transfer the program costs to beneficiaries.

• Work to provide full base exchange and commissary benefits to retirees at overseas military locations. Overseas commissary and base exchange access arrangements are generally the product of Status of Forces Agreements (SOFA). At several locations, retirees (who may be overseas for government jobs, etc.) are denied access in base exchanges, or commissaries, or both on U.S. military reservations. For example, retirees in Turkey may not use the commissaries on U.S. military reservations. There are many other such examples. While adjustments will require changes when each SOFA comes up for review, we would urge this committee to communicate with the Department of State a desire that such reviews promote the inclusion of full use of these facilities by military retirees at overseas locations.

MILITARY SHIPMENT PROGRAMS

One of the greatest complaints from military members during their careers is the way their household goods are mistreated during permanent change of station (PCS) moves. Current arrangements force DOD to select carriers based on the lowest bid, rather than on quality or customer satisfaction. Frankly, AFSA considers this a very, very poor way to do business; and it sends an extremely negative message to those who serve this Nation. It is time to rectify this long-time, clearly unacceptable situation. We urge this committee to:

• Improve the quality of the DOD household goods shipment program. The Military Traffic Management Command (MTMC) developed a test program that was extremely successful. It protected the military member's goods, held carriers more accountable, and had extremely high satisfaction levels among military members and their families. With that test project complete and time passing without DOD implementation of an enhanced household goods shipment program, it is time for Congress to act. Military members should not be faced with having their goods destroyed, lost, or stolen without adequate safeguards and/or compensation.

• Increase the household goods weight allowance for professional books, papers, and/or equipment to accommodate employment support for military spouses. Currently, only the military member is entitled to an additional shipment weight allowance for professional books, papers, and/or equipment. In recent NDAAs, DOD has been tasked by Congress to come up with ways to provide military spouses with education, training, and employment assistance. Providing spouses some consideration by giving them a shipment allowance to support their employment would be a good step forward. For example, a dependent spouse (of a military member who is being reassigned) who maintains supplies to support a job as a Government-certified family in-home day care provider, should not have to sell, discard, or give away his/her supplies. Most likely they will perform the same job at the next assignment. Similarly, a spouse who is a massage therapist, hairstylist, lawyer, etc., ought to be given a shipment weight allowance to make them more employable at the next military assignment location. This would be in keeping with the congressional man-

date to help spouses in their employment efforts. As a start, we ask this committee to consider adding up to an additional 500 pounds to a member's household/personal shipment weight allowance to accommodate the needs of their spouse. An alternative approach would be to create a new shipment weight category for specific use by the spouse. We ask this committee to take action to provide this potentially important quality-of-life enhancement.

• Provide all military members being assigned to OCONUS locations the option of Government-funded POV shipment or storage. Currently, DOD will only store a POV for a member if DOD reassigns that member to a location where DOD will not ship the member's POV. AFSA believes that this shipment option should be extended to all members being stationed anywhere outside of the continental United States (CONUS). We believe that a significant part of such storage cost would be offset by DOD not having to ship the vehicle. We ask this committee to authorize this quality-of-life improvement.

RETIREMENT/SURVIVORS

• Allow military members who are also receiving VA disability compensation to fully collect their military retired pay. AFSA believes this is the right thing to do. Every member of this committee is aware of the arguments on this issue, so we will not restate them here. However, we do urge this committee, as part of the legislative branch of government, to stand fast in finally getting this "right thing to do" legislation completed this year.

• Uniformed Services Former Spouses Protection Act (USFSPA) Reform (from PL–97–252). The members of this association strongly urge this committee to conduct hearings on needed USFSPA changes, both to gather all inputs needed for appropriate corrective legislation and to guard against inadvertently exacerbating current inequities via well-intended, piecemeal legislative action initiated outside of this committee. A military member must serve 20 years to earn a lifetime retirement annuity. However, under the USFSPA, any and all former spouses of a military members have claim to a portion of the military member's eventual retirement pay. Such a former spouse could have been married to the military member only for a relatively short period of time; yet he/she will have a lifetime annuity if the military member goes on to retire. Our members have clearly communicated that this anachronistic statute, specifically targeted at military members, is not needed to protect former spouses. Provisions in law that apply to all other U.S. citizens should apply to the former spouses of military members. In that sense, full repeal of the USFSPA would be the fair thing to do. While we would favor full repeal of the act; fairness would dictate that at a minimum, the "windfall provision" of the act be amended. This provision bases the portion of retirement that is given to a former spouse on the member's military pay at the time of retirement, and not that which the member earned at the time of the divorce. We would also favor termination of the former spouse's claim to part of the military retired pay if/when the former spouse remarries.

• Reduce or Eliminate the Age-62 SBP Reduction: Before age 62, SBP survivors receive an annuity equal to 55 percent of the retiree's SBP-covered retirement pay. At age 62, however, the annuity is reduced to a lower percentage, down to a floor of 35 percent. For many older retirees, the amount of the reduction is related to the amount of the survivor's Social Security benefit that is potentially attributable to the retiree's military service. For member who attained retirement eligibility after 1985, the post-62 benefit is a flat 35 percent of covered retired pay. Although this age-62 reduction was part of the initial SBP statute, large number of members who retired in the 1970s (or who retired earlier but enrolled in the initial SBP open season) were not informed of the reduction at the time they enrolled. As such, many still are very bitter about what they view as the government changing the rules on them in the middle of the game. Thus, thousands of retirees signed up for the program in the belief that they were ensuring their spouses would receive 55 percent of their retired pay for life. They are further "stunned" to find out that the survivor reduction attributed to the retiree's Social Security-covered military earning applies even to widows whose Social Security benefit is based on their own work history. To add further to the need for changes in this program, the DOD actuary has confirmed that the 40-percent government subsidy for the SBP program, which has been cited for more than two decades as an enticement for retirees to elect SBP coverage, has declined to less than 25 percent. Clearly, this benefit has become more beneficial and less costly for the government, and more costly and less beneficial for the retirees and survivors the program was created to protect. We urge you to step in and correct some of these inequities.

• Accelerate the SBP provision so that enrollees aged 70 who have paid into the SBP for at least 30 years be considered "paid-up." The paid-up SBP initiative enacted in 1998 set an implementation date of 2008. We urge this committee to change that implementation date to "this year." As a practical matter, any SBP enrollee who retired on or after October 1, 1978, would enjoy the full benefit of the paid up 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 if they survive that long. It is time to act now. We urge this committee to pass legislation to accelerate the "paid-up" provision of the Survivor Benefit Program.

Mr. Chairman, thank you once again for this opportunity to present the views of those we represent. We respectfully request your action on the items we've explained above. Each of them fall into the arena of "quality-of-life" issues the primary focus of this important congressional committee. We are ready to respond to any questions on this testimony and, as always, are ready to support your efforts on matters of mutual concern.

STATEMENT OF SUSAN SCHWARTZ, PHD, DEPUTY DIRECTOR OF GOVERNMENT RELATIONS/HEALTH AFFAIRS, MILITARY OFFICERS ASSOCIATION OF AMERICA

Dr. SCHWARTZ. Mr. Chairman, Senator Nelson, and distinguished members of the subcommittee, The Military Coalition appreciates this opportunity to present our views on the defense health care program. I would like to reiterate our appreciation for the landmark health care initiatives that this subcommittee has initiated over the past few years, especially for Medicare eligibles and active duty families.

The Coalition urges the subcommittee to now turn your attention to revitalizing the TRICARE Standard program. We ask you to distinguish between Standard and Prime in your efforts to improve TRICARE. Complaints from those in Standard far exceed those in Prime. The Prime benefit certainly deserves its success stories. However, continued focus on Prime only serves to obscure the very real and chronic problems with the Standard benefit.

Simply stated, Standard beneficiaries are neglected by DOD. No effort is made to reach out to these beneficiaries, to educate them about the extent of the Standard benefit, or to support them in locating a provider. The new TRICARE round of contracts contains no requirement or incentives to assist Standard beneficiaries, to recruit Standard providers, or to provide up-to-date Standard provider lists. This leaves beneficiaries on their own to use the Yellow Pages as a handbook to determine if providers are willing to accept them as a patient. We believe the managed care support contractors have the same obligation to assist Standard beneficiaries as they do Prime.

Despite the numerous initiatives that this subcommittee has promoted, members in many areas still have difficulty finding providers willing to accept TRICARE because of low and slow payments and burdensome administrative requirements.

TRICARE rates are tied to Medicare, that have been declining despite provider costs. As more providers are refusing to take new Medicare patients, or dropping out of the program, they are even more reluctant to be TRICARE providers, based on past difficulties with the TRICARE/CHAMPUS program.

We appreciate the recent action that this Congress has taken to prevent further cuts in Medicare and TRICARE payment rates.

Our TRICARE beneficiaries deserve the best health care this Nation has to offer, not the cheapest available. We ask for the subcommittee's support of any means to raise Medicare and TRICARE rates in underserved areas, and to reduce and remove administrative impediments to provider participation.

Your requirements in last year's authorization act to make TRICARE forms and procedures match Medicare are good examples of needed actions. The Coalition urges the subcommittee to consider additional steps to improve provider participation.

Specifically, we hope you will urge DOD to use their existing authority to raise TRICARE reimbursement as necessary to track providers, and to further reduce TRICARE administrative requirements. We ask the subcommittee consider authorizing a demonstration project where we can test if raising fees for Standard providers can actually increase participation in certain areas.

The Coalition was dismayed to learn that, despite Congress' clear intent to limit the requirement for nonavailability statements, DOD affirmed in the fine print of the President's fiscal year 2004 budget their intent to pursue the use of these statements. This means that DOD will continue to support denying Standard beneficiaries who accept higher copayments and deductibles in return for the freedom to choose their own providers, one of the most important principles of quality services, continuity of care by a provider of their choice.

The Coalition is pleased to hear Dr. Chu's announcement today that activated Guard and Reserve families will be eligible for Prime and Prime Remote when called to active duty for greater than 30 days. However, we urge the subcommittee to authorize TRICARE coverage options for Reserve and National Guard members before mobilization. In some cases, Reserve and Guard families have no healthcare coverage when not activated. In others, families experience considerable problems when they have to switch from civilian coverage to TRICARE and back to civilian coverage again when deactivated.

During this time of enhanced mobilization of the Guard and Reserve, providing improved continuity of care is not only a matter of equity, but a recruitment and retention issue as well. Another possible alternative to achieve such continuity would be to have the Department reimburse the activated guardsmen and reservists for part or all of their civilian health premiums, as we do now for DOD civilian reservists who have FEHBP.

Mr. Chairman, Mr. Nelson, and distinguished members of the subcommittee, we thank you for your strong continued efforts to meet the health care needs of the entire uniformed services community. I look forward to addressing your questions.

Senator CHAMBLISS. Thank all of you for that very fine presentation by each one of you. Dr. Schwartz, you have addressed an issue that is of peculiar concern to me, and that is health care. As I said earlier, it is the single most consistent complaint I get from families, as well as active duty personnel. In listening to the remarks from Dr. Winkenwerder earlier, it appeared that we may be making some progress there, but listening to you now, it appears we have made no progress at all.

First of all, let me take it one step at a time. With respect to Dr. Chu's announcement that now we are going to provide active Guard and Reserve personnel with the availability of TRICARE Prime after 30 days of deployment, is that going to be well-received? Does it address the concerns? I understand what you are saying about predeployment, preactivation. I think that probably would be difficult contractwise, but with a 30-day period there, is that going to address the concerns of your folks?

Dr. SCHWARTZ. Yes, it will, Mr. Chairman. It takes it a step further from last year's authorization act. This subcommittee authorized the Prime benefit for those Guard and Reserve beneficiaries who lived outside of the catchment areas, and what this does is, to take the legislation a step forward and provides it to all activated Guard and Reserve family members called up for greater than 30 days, so we are most appreciative of that, and it certainly is a step forward.

Our concern is before mobilization. We do not have the exact numbers of how many guardsmen and reservists lack health care, lack that safety net, but we know that 40 million Americans do not, and we estimate that about 20 percent of the Guard and Reserve families, as the entire population, lack health care coverage.

I believe there is a GAO report that came out last year that alluded to that, and there is another study coming out later this year that we are looking forward to.

It certainly is helpful, we appreciate it, but we ask you to look at them before mobilization. When our guardsmen and reservists do not have health care before mobilization, then the service member is not ready to deploy when the time comes, or to be activated when the time comes, so we ask you to look at that.

We ask you to look at it like as the dental benefit. They can buy into the dental benefit on a percentage basis, so we ask that you look at, perhaps they could buy into the TRICARE benefit, and then when they become activated, they simply no longer have to pay premiums and roll into the program as an active duty service member, and their family would.

Senator CHAMBLISS. I have bases in my State that are located both in metropolitan areas and rural areas. From a TRICARE Standard standpoint, those participants seem to have more problems if the base is located in a rural area versus a metropolitan area. Does that appear to be a common situation with respect to the availability of providers under TRICARE Standard?

Dr. SCHWARTZ. Absolutely, and it also reflects our society as well. In those small communities, there probably are not a lot of providers to begin with. There probably are not a lot of gastroenterologists, and so as our service members go out and try to find these physicians there are just less of them in the community to begin with, and as we become the lowest payer, Medicare is the lowest payer. Sometimes even Medicaid pays more than Medicare, but Medicare, Medicaid, and TRICARE are all along the same continuum.

In that community there probably are not a lot of DOD beneficiaries, and so there is no incentive for that provider, except for a sense of patriotism, which we believe they all have, but in that town, it is probably easy for that provider to turn away DOD bene-

ficiaries because it is a rural town and there just is not that critical mass to make his or her practice buoyant enough. They can turn those beneficiaries away.

Senator CHAMBLISS. Let me ask this, and I am not sure who this ought to be directed to, whoever feels compelled to answer, because it is another area which I am particularly sensitive to, having served 8 years on the MWR panel on the House side. There has been a great deal of concern recently over the potential privatization of our commissary system, and we have opposed it.

We are going to continue to fight the DOD on this issue, but over the course of the past year, DOD has implemented improved management practices throughout the commissary system to try to improve the financial status and competitiveness of the program.

Let me assure you I understand the importance of this system to all of our members and their families, but with respect to the implementation of these new business practices in commissaries over the course of the past year, what are you hearing from your membership about the current operation of the commissaries? Are we getting better, or are we still not doing the job we need to be doing, or where are we there with respect to the services that are being given there?

Mr. BARNES. Mr. Chairman, I will take a first try at answering this. With regard to the benefit, we are tracking this very closely and, as noted in our testimony last year, the Defense Commissary Agency (DCA) was implementing a multiyear staff reduction and a significant budget reduction, and that was the result of implementation of some additional management reforms.

We were very concerned about the potential for negatively impacting the benefit. However, at this point in time, a year later, we only are aware of spotty concerns with regard to this, some minor issues with regard to stocking shelves. We continue tracking this very closely, but we are encouraged by the fact that some of the more negative aspects of implementing the cuts have not taken place, but we continue tracking that very closely.

Both Joyce Raezer and myself sit on the DECA Patron Council. We meet twice a year with the leadership, and we also, as members of the Coalition, solicit input from the 33 member organizations within the Coalition, so again we track this very closely, and the management initiatives seem to be working fairly smoothly at this time.

Ms. RAEZER. Mr. Chairman, I can add to that. We looked at the GAO report that talked about some of this. We have heard the reduction from the full-time staff to part-time staffing caused some concerns. DECA is a good hirer of military spouses, and so we were tracking that issue from that angle as well, but what we are hearing is that this is running fairly smoothly, with just a few exceptions, as Mr. Barnes said.

We are a little worried—some commissaries in Europe, for example, have a little more problem with hiring. Small stores seem to have more of a problem with getting the right staffing, but the flexibility has helped some stores actually work operating hours to be more convenient to the beneficiaries, which is something that we have always taken from beneficiaries to the DECA leadership. Let

us look at how we operate our stores to make sure the stores are open when the beneficiaries need to shop.

The flexibility on the part-time actually helps a lot of military spouses, especially if they are dealing with deployments and child care, and a part-time job fits better into their life demands, so we are encouraged that the commissary agency appears to be looking at using these staffing realignments to add some flexibility to respond to customer demands.

The other thing that we noticed in the GAO report that talked about measuring this, and what we hoped that DOD would follow, would be to start surveying customers who do not use the commissary. DECA talks about the surveys it uses to survey commissary shoppers in the commissary, but as we look at how to get more of our beneficiaries using this wonderful benefit, we need to find out why they do not use the benefit, and so we were glad to see that encouragement to go out and survey people who do not currently use their benefit to find out why.

Senator CHAMBLISS. If I am hearing you right, the changes being made do appear to have a positive effect on those folks using the commissaries.

Ms. RAEZER. Yes, sir. In some small communities we are a little worried, but we are going to keep tracking it.

Senator CHAMBLISS. While I say I am opposed to the privatization of it—I am, but that is primarily from a price perspective. That is a benefit that our folks need and deserve with the pay that they are getting, but by the same token, if we are not providing the services there, I am not happy about that. I appreciate your comments, and that is an issue we are going to continue to follow.

Ms. RAEZER. Thank you.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

Dr. Schwartz, I was trying to follow what you were suggesting about maybe an alternative to TRICARE. If I understood you, were you suggesting that perhaps it might be advantageous for somebody who was being deployed to be able to continue?

Dr. SCHWARTZ. Not for the service member, sir. The service member would come right on to the TRICARE program. We are talking about the family, allow the family member to stay in the previous program, rather than hopping to TRICARE, out of TRICARE, back and forth, those kinds of things.

Senator BEN NELSON. I see.

Dr. SCHWARTZ. As a suggestion.

Senator BEN NELSON. As the family. In other words, you get into the situation where you have two different groups, but I suspect that could be handled. It is something that is worth considering if it is for the family members as opposed to the——

Dr. SCHWARTZ. Right. As we have done for the dental program. It is the same theory.

Senator BEN NELSON. Given the fact that all but perhaps the Marine Corps has indicated that morale is high, and the recruitment and retention rates are rising, and then listening that perhaps the Marine Corps is experiencing a decrease in satisfaction with the quality-of-life, not suggesting that their morale is not high, but their concern about the lack of quality, or of a decreasing

quality-of-life, do you have any ideas as to why that has happened, or any suggestions as to what might be accomplished to change that concern about the quality-of-life? Obviously, increasing the quality of life is the answer. Do you have any specific ideas, any of you?

Mr. LOKOVIC. If I may, Senator, since November we visited about 16 or 17 bases and spoke to a lot of folks. Speaking to Air Force alone at this point, our troops are working very long hours, and we are talking 12 to 16 hours, and you know that from your area.

That is telling, and the kinds of family issues and the implications on quality-of-life are inseparable when you start talking about those kinds of impacts of manpower, and you cannot separate them, and the kinds of family issues that Joyce was talking about have to be addressed.

Good examples are those folks working missile duty, for example. Those folks work incredibly long hours, and in effect are deployed in place, although not receiving any of the monetary benefits, for 4 days out of the week, return to base, and then go back out again, and the stress on those families is incredible.

Senator BEN NELSON. But would that be related to the Marine Corps, or would it be true of all the Services? It sounds to me like it might be true of all the Services.

Mr. LOKOVIC. I am speaking of the Air Force in particular, and I would imagine it has to be for all of the Services.

We can talk about recruiting goals and successes. Our retention, I think, would be a clearer indicator of the impact of the quality of the life that the folks are experiencing.

Senator BEN NELSON. The suggestion is that there is not a problem with retention in the Services, as nearly as I have been able to follow the numbers.

Ms. RAEZER. We are very concerned at what happens when things quiet down a little bit. You have a lot of service members who now are reupping when they are in a zone where the reenlistment pay is, they get that tax-free, where there are other incentives to reenlist while they are in a deployment situation.

I think looking at some of the surveys of members only tells one side of the story. I think we need to ask the families how they feel about what is going on. I think that some of the Marine Corps surveys have included family members in their surveys.

I think General Parks' reference to expectations is a very important one, and that can carry through with all Services and families. There are certain things happening in the pay and benefits front that are raising expectations. General Parks referenced the PPV housing, the public-private venture, getting more housing out there. It is wonderful if you are in it. It is not wonderful if there is no prospect that you are going to be in it.

With increases in the basic allowance for housing, there is a perception created, for example, that by 2005, nobody is going to have any out-of-pocket costs for their housing. When 2005 comes and people are still paying out-of-pocket for housing because everybody has been talking about averages and basing your housing allowance on a standard for your rank, if you have three kids, and you are living in a house a little bigger than your standard, so you are

paying out-of-pocket, the expectation is going to be no out-of-pocket, the reality is going to be still housing expenses.

So I think everybody has to be very careful at counting the definite improvements that have been made against the realities that people continue to face, and when those two do not mesh, you are going to have some of the concerns that showed up on the Marine Corps survey.

Dr. SCHWARTZ. Senator, may I interject? I am an active duty Marine spouse, and I filled out one of those surveys, and I put on the survey, I am tired of moving every 3 years. I am tired of them breaking my stuff. I am tired of pulling up stakes. I have a career. I am established. I am a successful professional, and if we have to move again, I have to start over.

So I would say that the spousal employment, especially for the senior people—my husband is senior, and I am established in my career, and I do not want him to move, and decisions are made at the dinner table, in terms of where Marine families go, and other families, too.

Mr. BARNES. Senator, if I could add something that has not been referenced, General Parks and my colleagues here have made some excellent points with regard to expectations. Also, the retention levels are very high, and very impressive. However, a key part of this is the impact of the negative economy, and that should be part of the discussions here with regard to the whole overview.

Senator BEN NELSON. If there is more competition for jobs and things like that, then that is probably going to show. It is going to be a part of the equation, ultimately.

Mr. BARNES. Yes.

Senator BEN NELSON. Dr. Schwartz, you heard that Dr. Winkenwerder said that one of the problems reaching out to TRICARE Standard beneficiaries is that there is no registration requirement, and that DOD does not know who they are, therefore it is very difficult to reach out. Do you have any suggestions about that, and what would you think of a requirement for registration of TRICARE Standard beneficiaries as a means of maintaining a list and therefore being able to reach out to them?

Dr. SCHWARTZ. The Military Coalition has not taken a position on this. I can tell you as a former hospital administrator I do not know how they can manage the program until they count the heads, until they know how many people are there.

Senator BEN NELSON. Who they are? Where they are?

Dr. SCHWARTZ. Yes. Unless I register, how can they know to send me the booklet?

Now, one of the ways they could do it, they could take all the Prime beneficiaries that are enrolled and subtract them from DEERS, and by default, send out handbooks, but quite frankly, I think if we are asking for beneficiaries to be communicated with, I think we are going to have to consent to enrolling, but we have not taken a formal position on that. That is my position on that.

Senator BEN NELSON. Any of the other advocates have any thoughts? There is no magic way without obtaining some sort of identity to be able to do it.

Ms. RAEZER. If it would help DOD provide a better benefit, and if it would get me my beneficiary information, I would sign a card

and say yes, I want to stay TRICARE Standard. TRICARE is the only, or one of the few health plans, or health benefits that do not communicate with all of their beneficiaries on a regular basis.

It is very hit-and-miss, and when I hear families talk about, we do not know how to access the benefit, we do not understand the benefit, what is our benefit, that tells me we need better communication. If the price of better communication is getting that beneficiary to say, yes, I am still here, and want to use this benefit, then I think that may be a reasonable thing to talk about.

Senator BEN NELSON. What are the stumbling blocks in getting that kind of information that follows the location and the identity of the members, outside of the obvious, and that is the mechanical, or the means of obtaining and keeping it current, but beyond that, are there any other inhibitors?

Dr. SCHWARTZ. I would say distrust of the system. There is a distrust. The uniform formulary that Dr. Winkenwerder talked about, it is certainly a marvelous way to manage cost and to manage utilization. If I were in his shoes, I would say, that is great, but you look at the retiree who says, oh well, now you have given me this benefit, and now, oh well, 2 years later, all of a sudden the pill that costs me $9 today is going to cost me $22 tomorrow, and they feel they have earned this benefit.

These are people that have given 20, 30 years of their life to their country, and they feel a sense of entitlement that goes beyond that of the average citizen, so I think there is somewhat of a distrust of the program. If I do this, will I still get a better benefit? A lot of them feel burned. They cannot find providers.

So that is what I would think. I do not know if the panel has other views.

Ms. RAEZER. I think that is part of it, but probably the biggest is going to be the mechanical, just finding everybody—people have been able to use Standard on a catch-as-catch-can basis. A lot of them use it as a supplement to their private insurance, if they have another job, so I think finding people is going to be a big thing, and this is very important. If we are going to find people and ask them to sign up so that they get information, the first thing we have to do is find them and notify them that this is what is happening.

So I think as we have seen in any kind of communication plan—TRICARE for Life, the dental contract to the Guard and Reserves—a basic problem is with finding all the beneficiaries to let them know about changes in their benefit.

Mr. BARNES. I would just add, Senator, that The Military Coalition organizations stand ready to assist in any way with the communications effort, as we have done with implementation of TRICARE for Life and some of the other major enhancements.

Just an observation about other health insurance, which was an issue with regard to TRICARE for Life implementation. There was a challenge with regard to the beneficiaries that had other health insurance, getting that data.

A final point, it would appear that the technology we have today could make this fairly simple with regard to beneficiaries. I know that is a very simplistic overview, but there are possibilities.

Senator BEN NELSON. It may be nearly impossible to track everyone, but one would expect that you could track a significant number to at least improve the situation from where it is at the moment. You could do a better job than is currently being done, if an effort is made to continue to track or start the process and then continue it.

That is all of my questions. I appreciate very much the panel's response. Thank you.

Senator CHAMBLISS. Let me thank all of you again, too, and we appreciate your recognition that some improvements have been made.

I remember 8 years ago, when I was first elected to the House, we were making the conversion from CHAMPUS to TRICARE, and you all remember what a nightmare that was. We made some great progress in 8 years on that program, which obviously has a direct effect on every military family.

We are going to continue, and look forward to working with each of you to make sure that the quality-of-life of all of our men and women is absolutely what it needs to be so that that retention issue and that recruiting issue are not a problem, because Ms. Raezer, I share with you the sentiment that patriotism is at a high right now, has been since September 11. Where are we going to be 3 years from now? We want to make sure that we do not still have recruiting and retention problems, and with help from you all and your continued good work, we are going to make sure we don't.

Again, thank you very much. This hearing is adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR SUSAN COLLINS

GUARD AND RESERVE

1. Senator COLLINS. Dr. Chu and Secretary Hall, historically the Guard and Reserve have attracted a number of citizens already engaged in public service. Local police officers and firefighters, as well as other first responder personnel, often serve proudly as part-time soldiers, sailors, and airmen. With the high rate of activations, many of these individuals have been called to duty. They do so with the dignity and honor that we have come to expect from our Guard and Reserve. However, they oftentimes leave huge gaps in the first responder capabilities of their local communities. For example, in Maine, it is not uncommon for some police departments to consist of only a few officers. Removing one officer can create a tremendous hardship on the city government. How is the Pentagon ensuring that, in the course of Guard and Reserve activations, we don't devastate local first responder capabilities?

Dr. CHU and Secretary HALL. We wholeheartedly agree with your comments about how those Reserve members, as well as the rest of our reservists, have responded to the Nation's call to duty with dignity and honor. They have served well and reflect extreme dedication and patriotism.

However, we must admit that right now we just don't know how many of our dedicated Reserve members are actually first responders. We have recently overcome Privacy Act concerns and initiated a process that will allow us to answer that question in the future. But it will take at least several months, or possibly even longer—depending on just how quickly we can get members to provide the required information. This information will enable us to determine whether we need to establish new policies, processes, and procedures to manage our reservists who are also first responders.

However, we think the real issue is the Department's ability to ensure that "we don't devastate local first responder capabilities" as Reserve call-ups continue. First, we have a well-established process, initiated in 1979, to screen individuals out of the Ready Reserve who are in critical civilian positions effecting national security and the safety of the American population. Though we can only proactively screen the 2.7 million Federal employees in the "Ready Reserve Screening Program," it is available to State/local government agencies, as well as the private sector. It re-

quires proactive management by employers and the support of the Department in processing employer requests.

Second, recognizing the unique situation created by the events of September 11, 2001, we immediately established another program to address certain individuals who may not have been screened out of the Ready Reserve because of their civilian jobs and may occupy civilian positions now regarded as critical to national security and safety. This new program processes requests for delay/exemption from mobilization for Ready Reserve members who are first responders (as well as other critical civilian employees). These requests to delay or exempt members of the Ready Reserve based on the critical nature of their civilian employment are considered on a case-by-case basis. The first case we processed was a request from the New York City Office of Emergency Management, in which we accommodated their request not to mobilize 17 of their first responders for 90 days. To date, we have only received 26 cases on first responders.

Last, we must emphasize the role of the employer. They must share the burden. They must deal with their employees, and, in those cases where it is necessary, they must preclude critical civilian positions from being filled by Ready reservists. Failure to take these precautionary actions will hurt both the civilian and the military communities during crises. Reserve duty is not just weekend duty. Our Reserve Forces are a critical element of our military and we cannot afford to have them be "unavailable" when called.

We will continue to work with State and local governments to more proactively facilitate and support the screening of their critical employees.

POST-WAR ILLNESS

2. Senator COLLINS. Dr. Winkenwerder, a sad part of modern warfare is the illnesses that have cropped up after our Nation's last two major conventional conflicts. Many of the men and women who served during the Vietnam War were afflicted with Post Traumatic Stress Syndrome. As we saw over the years, Agent Orange has had devastating long-term impacts on some veterans of that conflict. Following our last war against Iraq, some veterans suffered as a result of what we now call Gulf War Syndrome. There is still debate about its causes. As we stand potentially on the brink of another conflict in the Middle East, what steps are you taking to adequately track the health of those serving in the Persian Gulf?

Dr. WINKENWERDER. The vigorous requirements of medical entrance physical examinations, periodic physical examinations, periodic HIV screening, annual dental examinations, regular physical training and testing, and regular medical record reviews are parts of a continuum of care that help us identify any health issues. Improved medical surveillance measures will create a database of information that will inform us of any health trends.

The DOD has instituted a deployment health surveillance program that includes pre-deployment and post-deployment health assessments that validate individuals' medical readiness to deploy and address health concerns upon their return. During deployment, improved occupational and environmental health surveillance programs protect service members' health.

In the past few months, DOD has developed and implemented the Joint Medical Work Station. This is the most recent addition to our capability to monitor the health status of our deployed forces. Using the Force Health Protection portal to our classified system, DOD now has the electronic capability to capture and disseminate near real-time information to commanders about in-theater medical data, patient status, environmental hazards, detected exposures and critical logistics data such as blood supply, and bed and equipment availability.

When service members return home, health care focused on post-deployment problems and concerns is available through military and VA providers using the jointly-developed Post-Deployment Health Clinical Practice Guideline. It was designed specifically to address deployment-related health concerns. The guideline provides a structure for the evaluation and management of service members, their families, and veterans with deployment-related concerns. It provides access to expert clinical support to physicians and other health care professionals for patients with difficult symptoms and illnesses, and may provide a useful platform for research into post-deployment health concerns. Through the use of these guidelines, our medical system will be alerted to any illness or health anomaly that appears related to this deployment.

3. Senator COLLINS. Dr. Winkenwerder, if there is a conflict, will we have an adequate foundation of data to ensure that if another illness should appear, like Gulf War Syndrome, that we will be able to adequately diagnose its causes?

Dr. WINKENWERDER. First, I must point out that no unique and previously unrecognized "Gulf War Syndrome" has been identified among ailing Gulf War veterans. Most veterans who have been clinically evaluated have been found to have readily recognizable medical diagnoses. We recognize that Gulf War veterans report a wide array of chronic symptoms at a rate two to three times higher than service members who did not deploy. Medically undiagnosed physical symptoms occur in both military and civilian populations. Post-deployment health assessments and post-deployment health clinical practice guidelines enable us to provide medical care for each individual's health concerns or problems at the earliest possible time. With environmental surveillance data, unit tracking data, and medical surveillance data, health care providers will be able to appropriately address health concerns.

QUESTIONS SUBMITTED BY SENATOR JACK REED

PRE-DEPLOYMENT AND POST-DEPLOYMENT MEDICAL EXAMINATION

4. Senator REED. Dr. Winkenwerder, following the conclusion of the Gulf War in 1991, many service members and veterans experienced a variety of medical illnesses, the causes of which are still under investigation. Because there was no systematic collection of blood before and after deployment, and no comprehensive pre- or post-deployment medical and mental examinations conducted, there is no way of accurately determining how these illnesses occurred, and whether or not the cause of these illnesses can be traced to vaccinations our service members received before they deployed, or any chemical or environmental threat they encountered in the Gulf.

The National Defense Authorization Act for Fiscal Year 1998 (H.R. 1119 and Public Law 105–85) required the Department of Defense to establish a system by which all service members deploying outside of the United States in support of a contingency or combat operation are given a pre- and post-deployment medical examination, to include the drawing and storage of a blood sample for future study and a complete mental examination. Is the law being adhered to by all the Services with respect to the current deployment of forces to the Gulf for a potential war in Iraq?

Dr. WINKENWERDER. Deploying personnel receive individual health assessments that are documented on the DD Form 2795, Pre-Deployment Health Assessment. Individual pre-deployment health assessments include eight questions and further include reviews by medical providers of tuberculosis skin test screenings, prescribed medications, serum (HIV) samples (preserved in the DOD serum repository), and dental classification prior to determining deployability. Briefings on deployment-specific health threats and countermeasures are also provided prior to deployment.

Re-deploying personnel receive individual health assessments that are documented on the DD Form 2796, Post-Deployment Health Assessment. These assessment forms include six questions on health and exposure concerns. Medical personnel review the forms and positive responses result in a review of deployment health records and appropriate referral for follow-up medical evaluation, testing, and care.

5. Senator REED. Dr. Winkenwerder, does every service member in the Army, Navy, Air Force, Marine Corps, and Coast Guard receive a complete physical and mental examination?

Dr. WINKENWERDER. Each service member receives a complete examination as they enter the military and then receives periodic follow-up examinations.

BLOOD TESTING

6. Senator REED. Dr. Winkenwerder, is blood being drawn, and stored for future study, from every deploying member of the military?

Dr. WINKENWERDER. The Department of Defense maintains a blood sample at the National Serum Repository from every HIV screening test done on service members.

7. Senator REED. Dr. Winkenwerder, is this blood draw and storage separate and distinct from the blood that is periodically drawn to test for HIV and catalogue the DNA in all our service members?

Dr. WINKENWERDER. The serum sample in the serum repository is from HIV screening samples. Prior to deployment, each individual's health record is reviewed to assure an HIV screening has been done within 12 months, or 6 months for Re-

serve component personnel. If it has not been done, one is done at the time of deployment. DNA samples are taken once for each service member.

8. Senator REED. Dr. Winkenwerder, is there a plan to conduct a complete physical and mental examination of these troops, to include another blood draw, upon there return to the United States?

Dr. WINKENWERDER. Our continuum of care, DNA samples, serum samples, and pre-deployment assessments give us excellent pre-deployment health information on each service member. We collect medical and environmental surveillance data during deployments. Post-deployment, service members receive physical or mental examinations as called for, based on the judgment of clinicians after a review of post-deployment health assessments. We are currently reviewing post-deployment procedures to assure all health concerns are actively addressed.

END-STRENGTH NUMBERS

9. Senator REED. General Le Moyne, Admiral Hoewing, General Parks, and General Brown, I would like to thank you all for your efforts in improving the quality-of-life for our service members and their families. During consideration of last year's Defense Authorization bill, there was a great deal of debate about the active duty end strengths of each Service. We received indications that perhaps the Services required greater numbers than were provided for in the budget submission. Are the end strength numbers provided for in this year's budget submission optimal to meet our Nation's military requirements?

General LE MOYNE. The congressionally-mandated fiscal year 2002 active Army end strength was 480,000. However, nothing has changed since the budget was submitted—the Army is too small for its current mission profile. The reality is that our operations tempo (OPTEMPO), already challenging prior to September 11, has increased dramatically in the post-September 11 environment. Over the past 18 months, mobilizations have maintained a steady state of approximately 30,000 Reserve component soldiers, effectively increasing our active duty strength to approximately 510,000. We recognize the necessity to ensure we look internally to obtain all possible efficiencies prior to making any determinations on potential end strength increases. A study is currently underway to review Army non-core competencies—the Third Wave—with the expectation that some personnel savings will be generated for use in mitigating "force stress." Additionally, we are fully cognizant of the stress that this steady state mobilization is placing on our Reserve components. Studies are underway to determine the correct balance of Active and Reserve Forces, including an analysis exploring options for mitigating the current stress to the Reserve component by ensuring that the correct type units are resourced within the active component.

Admiral HOEWING. Navy's end strength numbers are determined, and continually refined, during a process that takes into account current and future manning requirements of our ships, aircraft, and associated supporting functional areas. Based on current events these numbers may need to be revised; however, at the time the fiscal year 2004 budget was submitted, these end strength numbers reflected our best estimate of our requirements.

General PARKS. The Marine Corps asked for and was granted an end strength increase of 2,400 marines for fiscal year 2003. This increase was greatly appreciated and came at the right time. The 2,400 marines were used to replenish units depleted by standing up the 4th MEB (MEB Hqtrs/AT Battalion/Chemical Biological Incident Response Force/Security Force Company). Coinciding with the end strength increase to 175,000, the USMC continues to look at ways to return marines to the operating forces. We believe that 175,000 active component end strength is sufficient to meet our current mission requirements.

General BROWN. In total, Air Force active duty end strength levels are sufficient to meet our missions. However, we have some skill mix challenges. To address these, we have conducted studies to clearly identify the core military competencies we need in our post-September 11 steady state. We are in the early stages of realigning military positions from our lowest to highest priority missions.

Though we cannot definitively tell you we will not need additional military end strength until we are confident we have our skills mix issue resolved, there is little doubt "solving" this issue will require additional resources. We will look for creative ways to source the increase in contractor costs or civilian pay dollars to pay for the non-core competency work that is currently being performed by the military we will reassign.

QUALITY-OF-LIFE

10. Senator REED. General Le Moyne, Admiral Hoewing, General Parks, and General Brown, in recent years we have made great strides in improving the quality-of-life for our soldiers. Pay raises, improved housing, and educational benefits have clearly played a role in improving recruiting and retention. Of course, there is always room for improvement. In particular, I would like to get your thoughts on how we can improve the support we provide to the families of our troops. With the high rate of deployment, more and more of them are left at home while their family members go abroad in service to our Nation. Do you have any specific recommendations that this subcommittee might pursue?

General LE MOYNE. Part of our overall strategy to improve the total force family support service provided to the families of our troops is the Army Well-Being program. Army Well-Being brings the proponents and managers of our various programs together under one umbrella, providing an integrated holistic approach to the well-being of the force.

Contributing significantly to this process are programs that are managed by the Army's Community and Family Support Center. The Family Assistance Hotline is a recent development used to assist our family members. This hotline is set up with 16 stations, each equipped with current phone lists, resources, a Smart Book, and useful Web links. Presently, Army Community and Family Support Center personnel, spouses, and volunteers man these phone lines.

Other initiatives that have been integrated into the Well-Being architecture include the ability to provide Army families the knowledge to manage their personal finances, make informed decisions, and develop self-sufficiency. Also, family member education is being addressed to ensure that family member students maintain quality education without disruptions through appropriate funding and staffing of Department of Defense Education Agency Schools to meet or exceed academic standards.

The Army is also taking steps to improve our Family Advocacy Program to prevent spouse and child abuse. An Army task force is conducting a thorough review and analysis of current polices, resources, organizations, and standards relative to domestic violence from DA level down through selected 'Go-To-War' installations. The Army is working in conjunction with the Department of Defense to create a cultural shift of non-tolerance for domestic violence, holding offenders and commanders accountable.

In addition, the Army is currently formulating the Deployment Cycle Support (DCS) Contingency Plan. The coordinated and resourced plan for the total force will provide decompression operations for IRR, RC, and returning AC individuals and units. Recommendations will be briefed to the senior Army leadership in May 2003.

We can improve the total force support services to the families of our troops by continuing with the aforementioned initiatives through funding and support. Continue to eliminate pay gaps for soldiers and DOD civilians as compared to the private sector and maintain comparability for the future. Continue to advocate for the Employer Support for the Guard and Reserve programs. For soldiers and their families; modernize barracks and family housing, both in the continental United States and abroad. Fully fund sustainment, restoration and modernization, and base operations requirements; and assist in protecting families living in privatized military housing on Federal property. For the Reserve component, provide tax relief for Reserve component soldiers and tax credits for their employers and adequately resource Reserve component medical and dental readiness.

Provide unemployment benefits based on a military relocation for the service member's spouse; retain Domestic Dependent Elementary and Secondary Schools in the Department of Defense Dependent Schools; adequately resource Impact Aid in the Department of Educations budget; and adequately resource child care needs of service members unable to access military Child Development Centers. Additionally, protect the gains in benefits under the TRICARE and TRICARE for Life systems.

Army Well-Being is "well," but it can and must become even better. While the Army applauds the passage of recent legislation supporting Well-Being initiatives, the gains of the last several years will be negated if we do not stay the course and adequately fund and support Well-Being programs to their conclusion.

Admiral HOEWING. Among the proposals DOD has submitted for inclusion in the National Defense Authorization Act for Fiscal Year 2004, are a number of amendments that will provide support, directly or indirectly, to family members of deployed troops. For instance:

- The proposed increase in basic pay for fiscal year 2004 provides for varying pay raises among military members in further pursuit of reaching the 9th Quadrennial Review of Military Compensation (QRMC) benchmark to

have military compensation approximate the 70th percentile of earnings of civilians with comparable education and years of experience.

• Allow two members of the uniformed services in pay grades below E–6, who are married to each other, have no other dependents, and are simultaneously assigned to sea duty, to each receive a Basic Allowance for Housing at the without dependents rate for the pay grade of the member. Currently only one is authorized to draw the allowance.

• Extend to members serving in contingency operations the same tax filing delays currently provided to members serving in a combat zone or qualified hazardous duty area.

• Allow military dependents, who are students, to store authorized baggage one time per fiscal year, at a time of their choosing, vice, only during their annual trip from school to the military sponsor's overseas duty location.

• Allow military members to retain up to 120 days leave, vice 90, if they serve at least 120 days in areas entitling them to receive hostile fire payor imminent danger pay.

• Streamline current management thresholds and required actions for high deployments (PERSTEMPO) to, among other things, offer a progressive monthly high deployment allowance and permit compensating members for excessive deployments based upon duration as well as frequency of deployments. This approach strikes a more appropriate balance between our commitment to preclude requiring members to deploy excessively and properly compensating them when it becomes necessary to do so to meet mission requirements.

General PARKS. The Marine Corps is an expeditionary force and is structured to provide support to deployed marines and their families that stay behind. It is possible that the demand placed on our family support programs may be stressed somewhat, depending on the intensity and duration of current deployments and contingencies, thus your continuing support for quality-of-life and family support programs is greatly appreciated.

General BROWN. The Air Force has long believed one of its most important attributes is a sense of community among its members and their families. Air Force families are extremely resilient. We believe, positively affecting family life, positively impacts mission readiness. The Air Force takes pride in its ongoing and continuous programs that directly assist our families—especially those that provide heightened support to their needs and concerns during times of national and family emergencies. As with any organization, there are programs where we feel further expansion is warranted and we look forward to working these issues as appropriate with the Office of the Secretary of Defense as well as you and other members of the committee.

Improved Spouse Employment—An Air Force objective is to improve retention of military personnel by increasing the employability of military spouses. We do that by providing financial support and other job assistance training. Although we do not provide job placement for spouses or other family members our Family Support Centers do sponsor a plethora of employment assistance workshops, skills-building volunteer opportunities and counseling, as well as a job bank analysis and spouse networking.

Expanded Spouse Education—It is important for spouses to pursue their educational aspirations and given the rising cost of college tuition, financial aid in the form of a spouse tuition assistance program would likely enhance participation in college-level academic or vocational programs.

Stronger Personal Financial Management Education—Air Force Personal Financial Management Program trends show an increasing need for comprehensive financial planning and consumer education early in the military lifecycle. We continue to look for opportunities to strengthen these worthwhile financial management programs to ensure our young airmen remain financially solvent.

Increased Family Advocacy—The Air Force has a special interest in the potential impact of separation on families with regard to relationship issues and family violence. We assist families with issues associated with deployment, separation, and reunion.

Enlarged Youth Programs—During the air war over Serbia, Congress approved funds that permitted our youth programs to offer a variety of summer camps for children of our deployed members in such areas as archery, cooking, computers, golf, leadership, etc. These camps were provided free to children of our deployed members. Similar funding to provide homework and other school assistance to children of deployed parents would prove beneficial. Also, the Air Force is testing purchased childcare at five locations for Air National Guard members who are deployed, and will work to expand that program based on test results.

Your continued support in these various program areas not only allow us to expand needed services, but ensures Air Force families are taken care of and our warriors are as free from worry as possible. Subsequently, our Nation directly benefits from the commitment of a fully-focused fighting force.

[Whereupon, at 5:13 p.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2004

WEDNESDAY, MARCH 19, 2003

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

NATIONAL GUARD AND RESERVE MILITARY AND CIVILIAN PERSONNEL PROGRAMS

The subcommittee met, pursuant to notice, at 3:25 p.m. in room SH–216, Hart Senate Office Building, Senator Saxby Chambliss (chairman of the subcommittee) presiding.

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

Majority staff members present: Patricia L. Lewis, professional staff member; Scott W. Stucky, general counsel; and Richard F. Walsh, counsel.

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

Staff assistants present: Michael N. Berger, Andrew Kent, and Nicholas W. West.

Committee members' assistants present: D'Arcy Grisier, assistant to Senator Ensign; James W. Irwin, assistant to Senator Chambliss; Mieke Y. Eoyang, assistant to Senator Kennedy; Eric Pierce, assistant to Senator Ben Nelson; and Terri Glaze, assistant to Senator Pryor.

OPENING STATEMENT OF SENATOR SAXBY CHAMBLISS, CHAIRMAN

Senator CHAMBLISS. Good afternoon. The subcommittee will come to order. The subcommittee meets today to receive testimony on the military and civilian personnel programs of the National Guard and Reserve in review of the Defense Authorization Request for Fiscal Year 2004.

I will tell you that we've just come off a vote, and my colleagues are going to be joining us here from time to time. We're going to proceed without Senator E. Benjamin Nelson being here, but we may get interrupted when he comes. Your testimony may get interrupted if he wants to make a statement at that time, or we'll allow him to make it whenever.

Our subcommittee hearing last week provided important insights into the legislative agenda and priorities of the Department of Defense. The DOD and military coalition witnesses gave us a broad overview of active duty and Reserve component military and civilian personnel programs and offered various suggestions for legislation.

Secretary Hall, you were present with Under Secretary of Defense for Personnel and Readiness, Dr. David Chu, at that hearing, and you provided very helpful testimony. Thank you for returning today to assist the subcommittee in focusing more directly on issues affecting the National Guard and Reserve.

It is well understood that this Nation's reliance on the Guard and Reserve to ensure successful achievement of our national security mission has never been greater. The Reserve components comprise 1.2 million service members, approximately 47 percent of the Nation's total military force. While they are integrated into the total military force, these service members are citizen soldiers who play a dual role as both professional military personnel and responsible citizens in their communities.

I will say that I am extremely proud of the 116th Air Control Wing based at Robins Air Force Base in my former congressional district and in my State. This is a program and a unit of which I am personally very proud. The blended unit, the integrated unit, between the Guard and the Active Force is working extremely well. It was a very seamless integration and accepted by both sides for exactly what it is, and that is to provide a greater benefit for the men and women of every branch of our Armed Forces who need the services of the Joint Stars Program.

More than 90,000 reservists have supported Operation Noble Eagle and Operation Enduring Freedom alone. They continue to be involved in many ongoing contingency operations worldwide and represent critical elements in our homeland defense efforts. In fact, the contribution of the Reserve has increased dramatically since the mid–1980s, from approximately 1 million-man-days of mission support to nearly 13 million-man-days in recent years.

Several key issues are associated with the activation of increasing numbers of reservists. These include potential earning reduction, family support issues, and access to healthcare. I would like to commend the Department of Defense for a rapid implementation of policy changes for Reserve members and their families that simplify access to healthcare through the TRICARE program.

Our hearing today will enable us to further examine departmental policy regarding the mobilization of reservists and the nature of duties they are performing. Additionally, it will allow us to focus on the unique problems being experienced by Reserve component soldiers, sailors, airmen, and marines, and their families as they answer once again the Nation's call to action. I anticipate we will learn more about the support being provided to Guard and Reserve personnel by their service and by their employers.

I want to emphasize again today, our country has the best military force in the world, and that force includes members who, in addition to their regular careers and family obligations, have agreed, when called upon, to set their lives aside and serve their country. The numbers of mobilized reservist guardsmen are stag-

gering. From my State of Georgia, the 221st Military Intelligence Battalion from Atlanta, the 94th Airlift Wing from Dobbins, and the 4th Supply Battalion from Albany are just a representative few of the many components that have been called upon to support this contingency. We truly appreciate the service of these men and women.

It is our obligation and responsibility to ensure that the transition to and from military service is as least disruptive as possible. We must provide the support and quality-of-life programs that show our Guard and Reserve members that we will take care of them and their families.

I look forward to hearing the testimony today. We have three panels before us this afternoon. First we will hear from Tom Hall, Assistant Secretary of Defense for Reserve Affairs, and Bob Hollingsworth, Executive Director of the National Committee for Employer Support of the Guard and Reserve.

Mr. Hall, we welcome you back this afternoon, and let me assure you that your presence before the subcommittee is not going to be required every week. We'll give you a break every now and then. We also welcome you, Mr. Hollingsworth.

Our second panel will be the chiefs of the Guard, and our third panel is the Reserve components.

As I said, if Senator Nelson comes in during the middle of your testimony, we'll interrupt or wait, depending on what he desires to do.

So, gentlemen, thank you for being here today, and since this hearing is getting started a little bit late, we would appreciate your keeping your remarks as brief as possible, but we look forward to hearing from you. Thank you.

STATEMENT OF HON. THOMAS F. HALL, ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS; ACCOMPANIED BY BOB HOLLINGSWORTH, EXECUTIVE DIRECTOR, NATIONAL COMMITTEE FOR EMPLOYER SUPPORT OF THE GUARD AND RESERVE

Secretary HALL. Thank you, Mr. Chairman. I have a combined very short statement from Mr. Hollingsworth and myself.

I thank you for the opportunity to appear again before this subcommittee. Today, as we meet, there are almost 212,000 guardsmen and reservists activated and serving alongside their active duty counterparts in virtually every operation or military undertaking throughout the world. These young men and women are proud to serve and are prepared to meet any demand placed upon them. It is our deep commitment to the mothers and fathers of America that have entrusted the lives of these young men and women to us that we ensure each and every one of the guardsmen and reservists are given the right training, the right equipment, and the support they need to serve their country. In accomplishing this, we don't want to have one more or one less guardsman or reservist than we need on active duty at any one time. We want to return them to their families and to their jobs the moment they are not needed. We are totally committed to serving them, their families, and their employers.

As you mentioned, I am pleased to be accompanied today by Bobby Hollingsworth, who is our Executive Director of the National Committee for Employer Support of the Guard and Reserve. He brings a very unique perspective on the employers of America and the challenges we face in this area. In addition, I'm happy to report that with Mr. Hollingsworth, as a retired two-star Marine General, and me, you have today a Navy and Marine Corps team representing 76 years of combined service to our Nation.

Senator CHAMBLISS. Thanks to both of you for that.

Secretary HALL. We're both very proud of every day of our service, and we're both proud to be serving today.

With that, Mr. Chairman, that's the end of my statement, and we stand ready to answer any questions.

[The prepared statement of Secretary Hall follows:]

PREPARED STATEMENT BY HON. THOMAS F. HALL

INTRODUCTION

Good morning Mr. Chairman and members of the subcommittee. Thank you for the invitation to testify before you today. Today, I will provide you with information to assist you in making the critical and difficult decisions you face over the next several months. This committee has been very supportive of our National Guard and Reserve members and on their behalf, I want to publicly thank you for all your help in strengthening our Reserve components. The Secretary and I appreciate it, and our military personnel are grateful. Thank you.

ASD/RA MISSION

The mission of the Assistant Secretary of Defense for Reserve Affairs (ASD/RA), as stated in Title 10 USC, is the overall supervision of all Reserve components' affairs in the Department of Defense. I take this responsibility very seriously because our Guard and Reserve perform vital national security functions and are closely interlocked with the states, cities, towns, and every community in America. During my short time in this position, I have made it my business to get out to the field—to see and listen to the men and women in our Guard and Reserve. My staff and I have spent time with them and we have listened carefully to their comments and concerns. We are continuing to closely monitor the impact of increased use of our Guard and Reserve members, their families, and their employers.

These circumstances lead me to what I call "My Acid Test for the Guard and Reserve." That is to "Ensure that the Guard and Reserve are: assigned the right mission; have the right training; possess the right equipment; are positioned in and with the correct infrastructure; are physically, medically, and operationally ready to accomplish the assigned tasks; are fully integrated within the active component; and are there in the right numbers required to help fight and win any conflict!"

RESERVE COMPONENTS ARE FULL PARTNERS IN THE TOTAL FORCE

Because the Reserve components now comprise almost 50 percent of the Total Force, they are an essential partner in military operations ranging from homeland defense and the global war on terrorism to peacekeeping, humanitarian relief, small-scale contingencies, and major crises. The new defense strategy proposed in the Quadrennial Defense Review (QDR) calls for a portfolio of military capabilities. This capabilities-based approach will continue to find the Reserve components supporting the Active Forces across the full-spectrum of military missions.

The fiscal year 2004 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 and maintenance, military construction, and procurement accounts, which is approximately 1 percent above the fiscal year 2003 appropriated level. Significantly, this is only 8.2 percent of the overall DOD budget, which represents a great return on 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 RC equipment modernization and interoperability in support of the Total Force policy. These funds support more than nearly 863,300 Selected Reserve personnel. The Selected Reserve consists of the following: Army National Guard 350,000; Army Reserve 205,000;

Naval Reserve 85,900; Marine Corps Reserve 39,600; Air National Guard 107,000; Air Force Reserve 75,800; and Coast Guard Reserve 10,000 (funded by DOT). Our total Ready Reserve, which also includes the Coast Guard Reserve, Individual Ready Reserve, and Inactive National Guard is 1,190,00 personnel.

Maintaining the integrated capabilities of the Total Force is key to successfully achieving the Defense policy goals of assuring allies, dissuading military competition, deterring threats against U.S. interests, and decisively defeating adversaries. Only a well-balanced, seamlessly integrated military force is capable of dominating opponents across the full range of military operations. DOD will continue to optimize the effectiveness of its Reserve Forces by adapting existing capabilities to new circumstances and threats, and developing new capabilities needed to meet new challenges to our national security.

COMPREHENSIVE REVIEW OF THE RESERVE COMPONENTS

The Reserve component (RC) continues to make significant and lasting contributions to the Nation's defense. As the Total Force transforms to meet the challenges of today and the future, it is essential that the Reserve components be part of the transformation. Over the past year, my office has worked with other agencies inside and outside the Department to address how the contributions of the Guard and Reserve—in both new and traditional roles and missions—can enhance the capability of the Total Force. The report, titled "Review of Reserve Component Contributions to the National Defense," establishes strategic principles to guide future structure and use of the Reserve components and proposes innovative management initiatives to meet the requirements. Some of our management initiatives were included as legislative initiatives that listed later in this statement.

The report looks at ways to address the rebalancing of the Active and Reserve Force mix and mission assignments to enhance capabilities and to develop management policies that are more flexible. My staff is continuing to work hard to find ways and explore ideas to bring about meaningful change in the rebalancing effort and the process of developing transformational management policies that achieve that flexibility.

A Continuum of Service

A significant portion of the comprehensive review focused on the way we utilize the Reserve Force. Building on the past successes to fully integrate the Active and Reserve Forces, the next step is to make it easier for individual members to move back and forth between active and Reserve service, and to leverage the strengths of the National Guard and Reserve. We call this the "continuum of service." The concept behind a continuum of service sets aside the traditional definitions of active and Reserve components and recognizes that service may range from full-time duty to individuals who are available in the event of mobilization but do not participate in military training or perform duty on a regular basis. In between these extremes is a pool of individuals who can be involved at any level of participation who may move along the continuum as circumstances in their lives and needs of the Department evolve, and who may move from part-time Reserve to full-time active service and back, several times during a career. The advantages of such an approach are many:

- Service members could change the level of participation easily, and as a result, may be more likely to stay engaged and serve the Department at some level for a longer period of time.
- It would provide the Department with better access to and management of trained, skilled service members—the ability to capitalize on the investment it has made in individuals during the course of their career. It may also be possible to build new pools of skilled talent at the "low end" of participation, such as military retirees, and members of the Standby Reserve and the Individual Ready Reserve.
- It could help the Department attain skills and talented individuals from the civilian labor market. Increasingly, the civilian labor market contains people who may be able to arrange blocks of time away from school or job for active duty or extended duty in the Reserves.

The continuum of service offers a model for addressing the changing demographics of a workforce that is increasingly more educated and inclined to migrate between jobs in pursuit of enhanced career opportunities.

New affiliation programs

Our recently completed and soon to be released "Review of Reserve Component Contributions to the National Defense" identified specialized civilian skills and civil-

ian-acquired skills as a Reserve component core competency. The study recommended several new forms of affiliation to attract individuals on a part-time basis for skills that may be hard to grow, train, and retain in the regular force. This has led to several new initiatives.

For example, we have just succeeded in getting duty in the Guard or Reserve approved as one of the alternative forms of service-payback for recipients of information assurance scholarships that are now being awarded to college juniors and seniors who are pursuing a degree in information technology, as well as students working toward a post-graduate degree in fields relating to information assurance. This is a wonderful opportunity for people to pursue study programs at academic centers of excellence around the country in exchange for affiliation with the Guard or Reserve.

We have also introduced a business process improvement initiative to "fast-track" civilians, who have special training or qualifications, directly into the Individual Ready Reserve (IRR). These uniquely-skilled individuals could participate in the Reserves on a very limited basis, but would be available when needed for short periods of active duty or longer emergency situations to perform specific tasks. Medical, linguist, information technology, and other technical skills are examples of those being considered for the IRR Direct Entry program.

We are also looking for ways to better partner with industry to further leverage civilian-acquired skills into the military. Such partnerships present opportunities to save or reduce overall training costs while providing the military with ready access to individuals with specialty skills and experience in cutting edge technology. We are currently working closely with the Department's spectrum management experts in Command, Control, Communications, and Intelligence (C^3I) to develop a pilot program that will allow us to establish a better partnership with the wireless industry in order to address our future radio frequency spectrum management needs. One of the options under consideration includes a Direct Entry program that carves out a portion of the IRR to perform duty on an intermittent basis as needs arise.

We are developing new policies that would require members of the Ready Reserve, especially the Selected Reserve, to provide the Department with limited information about their civilian employers. Having employer information will not only assist us in improving our employer outreach programs, but more importantly it will provide a better understanding during mobilization planning of the impact mobilizations will have on local communities and industries. The need for better employer-related information is a priority for us in the new threat environment we are facing. Additionally, obtaining accurate and current employer information is critical for the Department to comply with our statutory responsibilities for continuous screening of Reserve units and individuals.

MOBILIZATION, CONTINGENCIES, AND THE GLOBAL WAR ON TERRORISM

Today, we are in the midst of one of the longest periods of mobilization in our history. However one certainty remains—that when called upon, the men and women of the National Guard and Reserve will respond promptly and perform their duty. For the past 18 months, we have mobilized over 230,000 Reserve personnel, who are performing and have performed magnificently throughout the world. As we prepare to give the Nation more options in the global war on terrorism, additional guardsmen and reservists are being mobilized. 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 March 5, 2003, just over 178,0000 Reserve component personnel are on active duty—here at home and in every theater around the world supporting the global war on terrorism. They are providing a very broad range of capabilities, from Special Operations and Civil Affairs to personnel and finance support.

Morale is high. Reservists do not mind being called to active service and they respond positively to multiple call-ups as long there is meaningful work and we only keep them on duty for the absolute essential period of time. The men and women with whom I have spoken are proud of their involvement, fulfilling meaningful missions and contributing to the needs of their country. We know there is a clear correlation between job satisfaction and proximity to the action and it is our intent to make sure when we call guardsmen or reservists we assign them to the full range of military missions.

Reserve personnel (29,944) continue to provide the majority of force protection to military personnel and installations worldwide with 8,200 Army National Guard soldiers currently protecting Air Force bases. A good news story of cooperation between the Services, this extra effort has relieved some of the burden on the Air Reserve component members who have been on duty for over a year.

Our success in integrating the Reserve components into the Active Force continues. It is now routine for the Army Guard to plan and execute Bosnia missions. They are scheduled to relieve the active Army in Kosovo and have consistently maintained about 529 guardsmen in the Sinai. The Army Reserve provides most of the logistics support in Kosovo.

The Guard and Reserve are important partners in daily military operations and will play a major role in any future operations while maintaining its traditional role as citizen soldiers providing the Nation with strategic hedge.

Support to Mobilized Reservists

Taking care of our mobilized Guard and Reserve members and their families is a top priority for the Department. While we can draw on our experience from past call-ups, we continue to examine our policies and programs to ensure that our mobilized reservists do not feel disenfranchised and that we have systems in place that support families.

- When the President authorized the mobilization of the Ready Reserve, the Department published detailed personnel policy guidance, which included a limit on the duration of initial orders to active duty of no more than 12 months to reduce disruption for reservists, their families, and their employers. Although we have had to extend reservists into a second year of mobilization—most notably as security forces at Air Force bases, it is worth noting that more have volunteered for a second year. More importantly, we are taking steps to minimize the number of reservists who are involuntarily serving for a second year by taking a critical look at requirements, identifying alternative manpower resources, and reviewing possible force structure changes. We have asked the Services to husband this valuable resource and consider the effect of mobilization on families and employers and to release their Reserve component members as soon as they have completed their mission.
- The Department also established a healthcare enhancement package, which is designed to reduce out-of-pocket expenses for Reserve family members and makes it easier for them to maintain continuity of care with existing providers.
- A comprehensive mobilization information and resources guide and a family "tool kit" are available on DefenseLink's Reserve Affairs website for access by military members, families, and employers. It is routinely updated to add information that is useful to mobilized reservists and their families.
- The Department is also engaged in more in-depth studies to strengthen employer support, to review alternatives for ensuring continuity of healthcare for the families of reservists, and to more effectively address Reserve component quality-of-life concerns.

Screening and Key Employee Exemption Process

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 "screening" program to ensure the availability of ready reservists for mobilization. Once a mobilization is declared, all screening activities cease and all Ready Reserve members are considered immediately available for Active Duty service. At this 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, 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 accommodate overall national security efforts.

This special exemption process provides for Federal and non-Federal agencies to submit mobilization exemption or delay requests for their employees, who are Ready reservists, based on the critical nature of their civilian employment. The Department considers those requests on a case-by-case basis and accommodates those requests when it is able to and when it is in the best interests of the Nation. While there have been over 1,000 requests from Federal and non-Federal agencies, we have worked with these agencies to reduce the number of cases actually adjudicated to just over 200. To date, these adjudications have resulted in 53 reservists being exempted from mobilization, 88 mobilizations were delayed—typically for 90 days, and 51 requests were denied. We continue to process exemption requests and have several pending final decision.

RC Support to Civil Authorities

The National Guard has played a prominent role supporting local and State authorities in terrorism consequence management. At its core is the establishment of 32 Weapons of Mass Destruction Civil Support Teams (WMD CSTs), each comprised of 22 highly-skilled, full-time, well-trained, and equipped Army and Air National Guard personnel. To date, the Secretary of Defense has certified 31 of the 32 teams as being operational and the remaining 2 teams are nearing certification.

The WMD CSTs will deploy, on order of the State Governor, to support civil authorities at a domestic chemical, biological, radiological, nuclear, or high yield explosives (CBRNE) incident site by identifying CBRNE agents/substances, assessing current and projected consequences, advising on response measures, and assisting with appropriate requests for additional State and Federal support. These 32 strategically placed teams will support our Nation's local first responders as a State response in dealing with domestic incidents. The Reserve components WMD CST funding for fiscal year 2003 is $136 million, and the budget request for fiscal year 2004 is for $135 million. In the 2003 NDAA, Congress directed the Secretary of Defense to develop a plan to establish an additional 23 WMD–CSTs, in order to have at least one in each State and territory.

The Department is also leveraging the capabilities of existing specialized Reserve component units for potential domestic use in support of civil authorities. During fiscal year 2001, DOD completed the training and equipping of 25 Army Reserve chemical decontamination companies and 3 chemical reconnaissance companies to support civil authorities in responding to domestic incidents. This enhanced training and equipment will improve the readiness of these units to perform their warfighting mission, while allowing them to respond effectively to a domestic emergency, if needed. A budget request of $12.4 million is submitted for fiscal year 2004 to continue training Army Reserve chemical soldiers to perform these domestic decontamination and reconnaissance missions and also to sustain the specialized equipment. Some of this money will also be used to provide training to Army Reserve medical soldiers that will better enable them to support a domestic medical response to a chemical, biological, radiological, or nuclear incident.

Medical

Nearly 50 percent of the Department's medical personnel are in the Reserve components, thus the Reserve components play a significant role in the Federal response to any consequence management incident requiring assistance from the military. Although not considered first responders to civilian emergencies, the active and Reserve component assets can provide a full-spectrum of medical support to the civilian community, up to and including definitive care facilities.

MANPOWER AND PERSONNEL

Recruiting and Retention

It is still too early into this mobilization to determine the long-term impacts on National Guard and Reserve recruiting. But through the first quarter of 2003, the Reserve components, in the aggregate, are within 3 percent of their recruiting goals. Attrition is below established ceilings and in line with 2001 and prior years.

All of the Reserve components achieved their authorized end strength in 2002. This represents a significant achievement in a very difficult recruiting environment. The Naval Reserve experienced an especially remarkable turnaround in strength achievement following several difficult years. During the years immediately following the Operation Desert Storm involuntary call-up, when nearly 266,000 personnel were activated, the Reserve components were still able to achieve 97 percent of their authorized end strength. In the aggregate, Reserve component attrition has decreased to its lowest level in 16 years. However, this macro view of overall Reserve component attrition may mask problems in high demand units, so we must continue to focus on attrition in units that have been used frequently to support contingency operations. We must also continuously monitor the effects of Stop Loss and other factors affecting career decisions.

Historically, the recruiting market for the Reserve components has been a mix of prior service personnel who recently separated from active duty and individuals with no previous military experience. Both market segments now present significant recruiting challenges. A smaller Active Force (36 percent smaller than in 1989) means a smaller number of prior service military members available for the Reserve Force—a force that is only 26 percent smaller than in 1989.

The Reserve components previous year's success at achieving their end-strength objective in the face of these challenges was due to exceptional efforts by our Guard and Reserve recruiters and excellent retention by all components. Moreover, the

quality of recruits increased overall with several components realizing significant quality improvement in both high school diploma graduates and mental aptitude categories. All components achieved or exceeded the DOD benchmark for upper mental aptitude group accessions.

In achieving this level of success, the components used a combination of tools that included: an increase in the recruiter force, expanded bonus programs, enhanced advertising campaigns, increased focus on retention resources, and increased use of the Montgomery G.I. Bill-Selected Reserve kicker benefit.

For 2003, all Reserve components are continuing to focus their efforts on maintaining aggressive enlistment programs by targeting 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.

Compensation Issues For Guard and Reserve Personnel

In 2003, we are examining compensation programs for Reserve component members. The current and anticipated military environments require employment of Reserve Forces in ways not imagined when current compensation programs were designed. Current thresholds for housing allowances, per diem, some special skill and duty pays, and a range of benefits may not fully support the manner in which Reserve component members may be employed in the future. Compensation programs must be sufficient to attract and retain capabilities to meet continuous, surge and infrequent requirements. As we examine options and formulate alternatives, we will adjust DOD regulations and include proposed statutory changes as part of the Department's legislative program.

Health Care Enhancements

Dependents of Reserve component members who are ordered to active duty for more than 30 days are eligible for TRICARE Standard or Extra—and for TRICARE Prime if the member is ordered to active duty for more than 179 days. Recognizing that changing healthcare systems can be disruptive, the Department developed and the Secretary approved a new TRICARE Demonstration Program specifically to assist mobilized reservists with the transition to TRICARE. The Demonstration Project is designed to reduce out-of-pocket expenses for Reserve family members and to make it easier for them to maintain continuity of care with existing providers.

The Demonstration Project provides for three important enhancements for mobilized Reserve members. First, it waives the annual deductible (up to $300 per family) for those members who do not or cannot enroll in TRICARE Prime. Second, the requirement to obtain a non-availability statement to receive inpatient care outside a military treatment facility is waived so Reserve family members can maintain continuity with their existing local providers, if they wish. Finally, the Department will pay up to 15 percent above TRICARE maximum allowable charges for family members receiving care from providers not participating in TRICARE, who bill in excess of TRICARE maximum allowable charges.

The TRICARE Dental Program, which was implemented in February 2001, offers reservists and their families a comprehensive and affordable dental program. The normal minimum 12-month service commitment to enroll in this program is waived for Reserve members ordered to active duty in support of a contingency operation such as Operations Noble Eagle and Enduring Freedom. In an effort to reach out to family members, we are developing educational tools such as brochures and command briefings, establishing a toll-free number for Reserve component families, and constructing a Reserve component TRICARE website, all specifically designed to help reservists and their families make informed choices about their healthcare options.

Family Readiness

One of the lessons learned from the Persian Gulf War was the need to improve family readiness within the Guard and Reserve. Our first initiative was the 1994 publication of a DOD Instruction that provided the framework for improving Reserve component family readiness. The next major milestone was publication of the first-ever Guard and Reserve Family Readiness Strategic Plan 2000–2005, which was developed through the collective efforts of the Office of the Secretary of Defense (OSD) staff, the military Services, and family readiness program managers. In addition to serving as a blueprint for providing greater support to National Guard and Reserve families and assisting in coping with the stresses of separations and long

deployments, the plan established a clean link between family readiness and unit mission readiness.

Beginning in 2002 the OSD Office of Family Policy, Reserve Affairs, the Services and numerous Federal agencies have been meeting regularly in a Joint Service Family Readiness Contingency Assessment Working Group. The group representatives work to anticipate challenges and disseminate information during ongoing operations such as Operations Noble Eagle and Enduring Freedom. The foundation for support of family members lies in the preparation and education of professionals and family members alike well before a reservist is called to active duty or actually deployed. The ability of Reserve component members to focus on their assigned military duties is directly affected by the confidence a member has that his family can readily access family support services.

From our previous survey of spouses of deployed Reserve component members, we know that information and communication are essential to Reserve families. In addition to information concerning their deployed spouse, family members request information on available benefits, services, and programs, to include locations of commissaries, exchanges, healthcare, and other facilities.

Our "Guide to Reserve Family Member Benefits" 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. Additionally, a Family Readiness Event Schedule was developed to make training events and opportunities more accessible for family support volunteers and professionals. It also serves to foster cross-Service and cross-component family support, which supports the desired end-state of any service member or family member being able to go to a family support organization of any Service or component and receive assistance or information.

The family readiness "tool kit" is available to assist commanders, service members, family members, and family program managers with pre-deployment and mobilization information.

Personnel and Pay Information Technology Initiatives

The evolving missions and operations of the Department are creating a wider gap between current system capabilities and the Department's policy and process needs. Existing systems require improvement to fully support the needs of current operations and to provide seamless support to active, Guard, and Reserve mobilization or multi-component operations. The Defense Integrated Military Human Resource System (DIMHRS) will provide an opportunity to plan, develop, and implement military personnel and payroll modernization with the overall DOD objective of establishing an integrated military personnel and pay system. The goal of DIMHRS is to provide the Services and their components the capability to effectively manage their members across the full operational spectrum—during peacetime and war, capturing accurate and timely data as members move between duty statuses such as mobilization and demobilization. The system will support the full range of personnel life-cycle activities from accessing members to separation or retirement. Key functions include ensuring proper pay and benefits, tracking personnel in theater, and transferring individuals to other Services or components. DIMHRS design will include the capability for rapid implementation of system changes to support emerging requirements.

Employer Support

The National Committee for Employer Support of the Guard and Reserve (ESGR) is a Department of Defense Field Operating Activity, first chartered in 1972. Its mission is to gain and maintain active support from all public and private employers for the men and women of the National Guard and Reserve as defined by demonstrated employer commitment to employee military service. We provide a bridge between employers and their employees that serve in the Reserve components. Its role is to ensure the transition from civilian employee, to military member, then back to civilian employee is as smooth as possible.

ESGR Headquarters, located in Arlington, Virginia, is a multi-service organization composed of active duty, National Guard, and Reserve component members. We work with a community-based volunteer network of 55 committees with over 4,200 members. These local committees are in every State, the District of Columbia, Guam, Puerto Rico, Europe, and the Virgin Islands.

There are about 1.3 million men and women in the Guard and Reserve. This figure represents nearly 50 percent of our total military strength; that's 50 percent, almost half of the force trying to balance military duty with civilian employment. This critical balance, between military commitments and civilian job commitments,

is why it is so important for all reservists to have the support of their employers. Developing and sustaining this support is the reason ESGR was established.

ESGR programs and services help educate employers and community leaders about the important role the National Guard and Reserve play in a strong national defense. Other programs educate Reserve component members concerning their employment and reemployment rights relative to military service, and the actions they can take to build and foster good relations with their employers. We strive to build and strengthen the employer/employee partnerships essential to ensuring that Reserve component members are available and ready when needed. ESGR, along with top military leaders, develops solutions to problems that arise because of employee participation in the National Guard and Reserve.

The Statement of Support Program highlights the public signing commitment by an employer of a statement pledging to publish and implement personnel policies supportive of employee service in the National Guard and Reserve. The signing of a Statement of Support clearly demonstrates the employer understands the importance of the Guard and Reserve and, even more importantly, it sends a clear signal to reservists that their participation in the Guard and Reserve does not put their civilian job at risk. Forty-four Governors have signed Statements of Support and 2 more are scheduled to sign very soon. Many nationally known companies have also signed Statements of Support, to include Goldman Sachs, UBS Paine Webber, NYSE, American Stock Exchange, NASDAQ, NASD, Dell, Oracle, Pfizer, Xerox, Tyson Foods, Commonwealth Edison, Boeing, and numerous others, as have hundreds of small and mid-sized companies.

Briefings with the Boss (BWBs) bring together employers, unit commanders, ESGR members, and community leaders to discuss military topics in general and issues relevant to employee participation in the National Guard and Reserve in particular. BWBs are a tremendous forum for building rapport and support at the local level for Reserve component participation. A companion employer outreach program, Bosslifts, transports employers and supervisors to military training sites where they observe their employees as Guard and Reserve members on duty, performing training missions or essential military taskings.

ESGR's employer awards recognition program centers on Reserve component members nominating their supervisors or their companies for recognition for their support. As the first level award, the "My Boss is a Patriot" award recognizes supervisors and employers who support National Guard and Reserve employees, and who practice at least those personnel policies required by law to support employee participation in the Reserve components. From these "My Boss is a Patriot" award nominees, State local committees select candidates for higher-level State awards culminating in the end for consideration for the National Committee's Employer Support Secretary of Defense Freedom Award. The Employer Support Secretary of Defense Freedom Award was established in 1996. This award recognizes the Nation's top employers who have provided outstanding support to their National Guard and Reserve employees far outreaching what is required by law. Each year the Secretary of Defense recognizes up to five employers with this prestigious award during a formal ceremony in Washington, DC. The following employers were selected as Employer Support Freedom Award winners in 2002:

Region	Organization
Southeast	United Parcel Service Airlines—Kentucky
North Central	General Dynamics Land Systems—Michigan
Northeast	Public Service Co. of New Hampshire—New Hampshire
West	Autoliv, Inc.—Utah
South Central	State of Wyoming—Wyoming

In addition to the Employer Support Freedom Awards, two "Home Front Awards" were also presented this year to Wal-Mart and Dell Computer for their outstanding support of their employees who were specifically called up for Operations Noble Eagle and Enduring Freedom.

ESGR's Military Member Support and Ombudsman Services Directorate provides an informal mediation service to assist in resolving employer/employee conflict relative to participating in the National Guard and Reserve. The Ombudsman staff has been averaging over 500 calls a week since the end of the first week in January of 2003. This is an increase of nearly 100 percent over the call volume received in previous months. Most of the calls today concern Reserve component members being mobilized. The real test will come when reservists and guardsmen return and are demobilized, looking to return to the civilian jobs they left when called to serve their country.

The Uniformed Services Employment and Reemployment Rights Act, Title 38 USC, Chapter 43, commonly referred to as (USERRA), outlines the employment and reemployment rights of service members. This Federal law, among other things, provides the legal basis for employment and reemployment rights of Reserve component members called to serve their country in an active or inactive duty status, as a volunteer or as non-volunteer. The Ombudsmen strive not to use the law as a threat when mediating conflict, preferring instead to find the common ground of fair play. The law does provide the basis for explaining minimum legal requirements to both the Reserve component members and their employers.

Our Marketing and Employer Services Directorate is charged with developing awareness of ESGR and its services in the public and private employer communities. With the recent recognition that nearly 30 percent of all reservists are engaged in some form of higher education, the community of higher education institutions has recently been added as an additional target audience, as well. In January of 2003 the Marketing team released a 2-minute Video News Release focused on these target audiences. This release is a pre-packaged story featuring interviews with Montgomery County, MD, Police Chief Charles A. Moose (who is also a Major in the Washington, DC, Air National Guard), and Dick Grasso, Chairman and CEO of the NY Stock Exchange. Key messages of the release alert employers to the USERRA law and the reasons employer support of Guard and Reserve is vital to our national defense.

ESGR is increasingly proactive in creating forums of exchange between business leaders and Reserve component commanders to identify and resolve areas of potential friction. In addition to an airline industry symposium that has been ongoing for several years, we organized two general employer symposia in 2002, and in February 2003 brought together a symposium for "First Responders" (Law Enforcement, Corrections Officers, and Fire Fighters) Law Enforcement and first responders. The response to these symposia has been extremely positive, and is leading to improved dialogue and better understanding between all parties affected by Reserve component mobilizations.

Despite the increased utilization of our Reserve Forces since the events of September 11, for the global war on terrorism and the obvious impact that the call-up of more than 200,000 reservists has had on our Nation's employers, they have responded in overwhelmingly positive fashion. Many employers have extended benefits for their reservists mobilized to support Operations Enduring Freedom and Noble Eagle, provided pay differential while they serve, continued their civilian health programs, and given both financial and moral support to their families, wives, and children. Although many communities have been impacted, the dominant response has been to pull together and make it work, and to stand behind those called to serve. Our Nation's employers have overwhelmingly supported the Guard and Reserve in this war on terrorism throughout this challenging time in our Nation's history, and we are extremely appreciative of their support to the Nation and to those men and women who are engaged in this effort.

TRAINING

Training, based on tough, demanding, and relevant performance standards, is the cornerstone of readiness and dominance of our Armed Forces in today's evolving world. As a fundamental pillar of readiness, the quality of training directly affects our ability to fight and win, particularly in the rapidly changing environment of the global war on terrorism (GWOT) and the compressed lifecycles of new equipment technologies.

Training must evolve to a lifelong, continuous learning environment that also provides as needed, anywhere-anytime learning to improve and enhance job performance. Training for dominance in future conflicts will depend on dedicating scarce resources of time, funding, and availability of our Reserve component personnel, to training that aggressively exploits technology and provides both traditional schoolhouse and distributed performance-enhancing training. Realizing that our Reserve component personnel now comprise almost 50 percent of the Total Force and are full partners in the prosecution of the global war on terrorism, we are working to ensure that the Reserve component is fully integrated in DOD's Training Transformation initiatives.

Cutting edge opportunities are more available for Reserve component training than ever before. They include deployment of mobile classrooms that, through global reach-back capability, can provide training from subject matter experts, embedded interactive modeling and simulation in weapons platforms and other equipment that enable "see, learn, do" training reinforcement.

This focus on distributed learning strategies and employing more robust communications tools will continue to pay great dividends for the Total Force. The Fiscal Year 2002 National Defense Authorization Act, which included changes to Title 37, will allow our reservists to receive compensation for completion of electronic distributed learning curricula, adding significantly to the opportunities of our personnel to embrace these concepts. We are currently undertaking a study to develop policy recommendations for the implementation of a Department-wide compensation policy for the completion of necessary training.

An important part of training is the ability of our forces to operate effectively and efficiently in a joint environment with other governmental agencies and within a multinational framework. Ultimately, these joint opportunities, with Reserve component personnel fully involved, will result in a significantly improved overall capability of our Armed Forces.

With the use of technology, innovative concepts, and improved joint training experiments, we can sustain the well-deserved reputation as the best-equipped, best-trained, and best-led Reserve components and military in the world.

CIVIL MILITARY PROGRAMS

In support of the President's call for Americans to serve, the Department continues to fund two youth outreach programs, Challenge and STARBASE. Both programs help improve the lives of children by surrounding them with positive civilian and military role models and helping them not just dream big dreams, but achieve them. The budget request for fiscal year 2004 is $65.2 million for Challenge and $13.8 million for STARBASE.

Operating in 25 States, the Challenge program has successfully given young high school dropouts the life skills, tools, and guidance they need to be productive citizens. The STARBASE program, operating at 44 military facilities located in 27 States, the District of Columbia, and Puerto Rico, has enhanced military-civilian community relations and reached approximately 300,000 young children. Active, Guard, and Reserve members volunteer their time to the STARBASE program in order to provide a military environment/setting in which local community youth, especially the disadvantaged, are provided training and hands-on opportunities to learn and apply mathematics, science, teamwork, technology, and life skills. These two successful DOD outreach programs were identified in support of the USA Freedom Corps' effort to provide opportunities for Americans to become more involved with serving their communities.

The third Civil Military program is the Innovative Readiness Training (IRT) program. IRT is similar to the overseas deployment exercise program in that it provides valuable military training that is compatible with mission essential training requirements. IRT projects help address serious community needs within the 50 States, U.S. territories, and possessions. The program is a partnership effort between local communities and active, Guard, and Reserve units. Individuals and units involved are primarily from medical, dental, and engineering career fields.

All IRT projects are compatible with mission essential training requirements. IRT projects must be conducted without a significant increase in the cost of normal training and are designed to enhance training in a real world scenario without deploying overseas. Program expenditures for fiscal year 2003 are $30.9 million. The budget request for fiscal year 2004 is $20.0 million.

EQUIPMENT AND FACILITY READINESS

National Guard and Reserve Equipment

The fiscal year 2004 budget includes $1.56 billion to procure needed equipment for the Reserve components. In the past the Reserve components relied on cascaded equipment from the active to help with shortfalls, however, given the fact that the majority of the support functions are in the Reserve components there is little equipment available to flow from the active component. We are convinced that only by the continued equipment modernization of our Reserve Forces will the Department reap the full potential of a capabilities based force in the future.

Key equipment items planned for the Reserve components included in the fiscal year 2004 President's budget request are:

- *Army National Guard and the Army Reserve:* Global Air Traffic Management aircraft modifications, airborne communications, HMMWV, Family of Medium Tactical Vehicles (FMTV), Family of Heavy Tactical Vehicles (FHTV), data distribution systems, float ribbon bridges, tactical bridging, generators, and rough container handling systems.
- *Air National Guard and Air Force Reserve:* Aircraft modifications for the F–16, C–5, C–130, KC–135, and H–60, common aircraft support equipment,

vehicles, air traffic control systems, tactical communications, and base communications infrastructure.

• *Naval Reserve:* C–40 aircraft, tactical vehicles, and mobile sensor platforms.

• *Marine Corps Reserve:* High mobility artillery rocket system, towed howitzer, night vision equipment, and materiel handling equipment.

NATIONAL GUARD AND RESERVE FACILITIES

Military Construction

The fiscal year 2004 military construction investment for new facilities affecting all Reserve components is $369 million and represents approximately 3.8 percent of the overall military construction requests of $9.5 billion. The President's budget request will provide new Armed Forces Reserve Centers, vehicle maintenance facilities, organizational maintenance shops, and aircraft maintenance facilities for the Reserve component missions. These new facilities begin to address the needed replacement of the Reserve components' infrastructure in support of military transformation programs. The fiscal year 2004 budget request continues the Department's efforts to improve the quality of life for the Guard and Reserve which for the reservist is not normally housing and barracks but rather where they work and train.

Sustainment, Restoration, and Modernization

The Reserve components' fiscal year 2004 facility sustainment, restoration, and modernization (SRM) request is approximately $800 million. Even with the Department's commitment toward restoring and modernizing existing facilities, the Reserve component's recapitalization rate ranges from 12 years to as high as 475 years. The fiscal year 2004 request reflects a concerted effort by the Department to reduce the SRM backlog and improve the Guard and Reserve facility readiness rating.

Environmental Program

The installation environmental programs managed by each Reserve component continue to be a good news story of professionalism and outstanding efforts to protect, preserve, and enhance the properties entrusted to the Reserve Forces. The fiscal year 2004 environmental programs are budgeted at $253.6 million, which includes $125.2 million for environmental compliance requirements that provide 75 percent of the overall validated Reserve and National Guard environmental requirements for fiscal year 2004.

Joint Construction Initiatives

The Reserve components are at the forefront of creating innovative ways to manage scarce MILCON dollars. They continue to pursue land exchanges and joint construction, wherever practicable. Joint construction is the practice of building one consolidated facility that fills the needs of two or more components. If we are to organize as a capabilities-based force, then our infrastructure should be designed to support that concept, also. Jointly constructing facilities of similar functions and eliminating the need for multiple buildings in the same geographic area, helps to transform our infrastructure toward operational capabilities and efficiencies. The savings and benefits of joint construction go far beyond the concept, 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 cross-service cultural understandings. I thank Congress for their support of this effort and will continue pursuing more land exchanges and joint construction opportunities in the future.

LEGISLATIVE INITIATIVES INCLUDED IN THE OMNIBUS SUBMISSION

Sec 511 - Ready Reserve participation requirement specifies a minimum of 38 days of participation (exclusive of travel) each year.

Sec 512 - Streamlines the process to continue officers on the Reserve active status list.

Sec 513 - Extends the authority to the Federal Long Term Care Insurance program to "Grey Area Retirees."

Sec 562 - Provides for a reduction of the basic training requirement for certain credentialed individuals e.g., medical, health care profession or occupation, or those accessed through a direct entry program.

Sec 563 - Provides the option for a reduced military service obligation for certain individuals with specialized skills to be accessed in a direct entry program.

Sec 564 - Authorizes the IRS to release taxpayer address information on members of the Reserve components to the Services for use in mobilization.

Sec 614 - Extends hostile fire and imminent danger pay to Reserve component members on inactive duty under certain conditions to ensure eligibility based on the nature of the danger faced, not based on the duty status they serve in.

Sec 618 - Extends the Ready Reserve enlistment and reenlistment bonus authorities that allow the Reserve components to target individuals who possess skills that are under-subscribed, but are critical in the event of mobilization.

Sec 1007 - Establishes permanent reimbursement for Guard and Reserve personnel providing intelligence and counterintelligence support to DOD.

Sec 1010 - Permits DOD to allocate funds for Reserve component Special Operations activities related to clearance of land mines.

Sec 1105 - Allows position vacancy promotions in time of war or national emergency when the member is not mobilized with his or her unit.

Sec 1106 - Provides 22 workdays of military leave for Federal civilian employees when serving in support of a contingency operation.

CONCLUSION

This administration views a mission-ready National Guard and Reserve as a critical element of our National Security Strategy. As a result, the National Guard and Reserve will continue to play an expanded role in all facets of the Total Force. While we ask our people to do more, we must never lose sight of the need to balance their commitment to country with their commitment to family, and to their civilian employer.

Thank you very much again for this opportunity to testify on behalf of the greatest Guard and Reserve Force in the world.

Senator CHAMBLISS. Has a Navy man ever been that short? That's pretty good, Mr. Secretary. [Laughter.]

Thank you very much. Again, we appreciate both of your being here. Senator Nelson, we went ahead and started since we were running behind.

Senator BEN NELSON. Absolutely.

Senator CHAMBLISS. I would like, at this time, to call on my good friend and my colleague, Senator Ben Nelson, from Nebraska, with whom we have already been working very closely to make sure that we do what's necessary from the Personnel Subcommittee standpoint to see that our soldiers, sailors, airmen, and marines are looked after.

Ben, any comments you'd like to make at this time?

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Thank you, Senator Chambliss. Mr. Chairman, it's really a pleasure to be here. I apologize for being a little tardy trying to get out of the vote and get back here.

I want to thank you for being here as part of this panel this afternoon. Obviously, it's a very important hearing and a very critical time for our military Services. We're here today to discuss the future of our Reserve components, National Guard and Reserves, as our Nation is prepared to go to war. Our Reserve components are almost half of our total military forces, and it's common knowledge that our Nation can't carry out any significant military operation without the participation of the National Guard and Reserves. The Reserve components are, without a doubt, full partners in the total force.

In the past 18 months, we've mobilized more than 230,000 Reserve component personnel for service all over the world, and they have performed magnificently. Today we've mobilized almost 212,000 Guard and Reserve personnel who stand alongside our active component personnel poised for war.

Our troops have responded remarkably well to the call to service. Despite the fact that many received what appears to be and seems to be unrealistically short notice of their call to active duty and some suffered a loss in pay and all had to leave their jobs and their families, by and large our Reserve component service members have enthusiastically reported for duty to do what they've been trained to do, and we are all very proud of them.

Overall, I think that we can grade this mobilization as a huge success. However, that doesn't mean that we let down our guard and call it good enough. I believe that there are lessons to be learned from this mobilization that will help us to do even better in the future should we ever have another large-scale mobilization. I trust that our witnesses will help us discern these lessons so that we can learn them and we can prepare to respond to them.

Mr. Chairman, I want to welcome all of the witnesses. I look forward to working with you not only today, but in the many days ahead on this and other important Reserve and personnel issues.

Thank you.

Senator CHAMBLISS. Thank you.

Secretary Hall, you've indicated in your statement filed with the committee that the Department is studying pay and compensation for reservists, but I'd like to get your thoughts today on the importance of the Selected Reserve Montgomery GI Bill and the need for improvements in that rate of payment. How important do you think the Selective Reserve Montgomery GI Bill benefit is in recruiting individuals for service in the Reserve? Do you agree that the current rate of payment needs to be increased?

Secretary HALL. The Montgomery GI Bill has always been one of our most important tools. We owe a lot to "Mr. Reserve," as we call him, Congressman Sonny Montgomery, who introduced this. Throughout the time it's been in effect, it's been an important recruiting and retention tool. The Department has always supported modifications to this bill. We applauded the extension of the eligibility period that happened last year, from 10 to 14 years.

The Reserve portion of the bill is different from the active duty portion, and it's been tied to a slightly different index, the consumer price index. Thus, as we proceeded through the economy over the years, there was a gap which has developed. A couple of years ago, the gap was about 47 percent of the active duty. That is about 30 percent now because of the CPI. Senator Collins is going to introduce a bill which might move that percentage back to 50 percent. We agree that we need to take a look at that percentage and that gap, and we're committed in the Department to examining it, because we think this bill is one of our finest pieces of legislation throughout the years to support the Guard and Reserve. So we're committed to looking at it, seeing if the gap is right, and working with you, if it's not, to make it right.

Senator CHAMBLISS. All right, thank you.

Mr. Hollingsworth, in your written statement, you described the efforts of the Military Support and Ombudsmen Services Directorate and the informal mediation service that it provides. I noted the volume of calls you received, over 500 calls a week since January 2003. What are the problems between employers and reservist employees that typically lead to requests for informal mediation?

How are we doing, generally, with that particular aspect of this program?

Mr. HOLLINGSWORTH. Sir, I have good news to report. As this thing has unfolded, the closer we get to the war effort here, the more positive the calls have become. In the last week or so, they have become, "What can we do to help?" That's great news from what our employers think of our Guard and Reserve out there today and just the incredible job that they're doing.

Just to give you a synopsis of what happens on a daily basis as we get calls that do create some controversy out there, most of them are simple misunderstandings of the law either on one side or the other, and our job is to mediate those. We have 4,200 incredible volunteers throughout the country and in Europe that do our mediation for us. We run them through our ombudsmen course. A lot of them have some really good personal attorney training. Beyond that, these guys are really dedicated Americans who care about the young men and young women, and they care about the fact that the employers tremendously support our Guard and Reserve.

As we go through the process, when they call our office, we refer these young men and young women or the employers back to the States so that it can be handled on a local level, because that's where we want to develop those personal relationships between our ESGR membership and the employers that support our Guard and Reserve. So then as they resolve the issues, which in over 95 percent of the cases they do, then they can resolve it at the local level.

If there's something that becomes so untenable that there's a situation where nothing can be resolved by mediation, then we take that, send it to the Department of Labor, and let those folks do the litigation part.

But we're happy to report that those cases are a small percentage and the wonderful employers supporting the Guard and Reserve guys out there do an incredible job of mediating these situations.

Senator CHAMBLISS. Secretary Hall, in your written testimony, you discuss the ongoing examination within DOD of the Reserve component to better organize and equip it to contribute to national defense. You've had an extensive background with the Naval Reserve, and I'd like to know your views on the Navy's request to reduce the Selective Reserve end strength by 1,900, as well as your views on necessary organizational changes. What do you think is the justification for the 1,900 reduction? What are your personal views about changes needed in the organization and manning of the Naval Reserve to better augment the Active Force, achieve the correct skills balance, and best contribute to missions assigned to the Navy?

Secretary HALL. I commanded the Naval Reserve for 4 years, from 1992 to 1996, and during that time participated in a downsizing from about 132,000 to 96,000 when I left. It now rests at 86,000. I have spoken with the CNO, Admiral Clark, about his views, and what I can tell you is that his commitment, I think the Navy's commitment, is to ensure that the Naval Reserve is structured correctly, is fully integrated on the active side, and meets the

mission demands of the Navy. In some cases, that will involve change. It will be different than when I commanded it 6 years ago.

I think the ideas that have been proposed that I know about, which the Navy could speak to better than me, involve better integration of the selected reservists within units. In some cases, it involved blended units very much like the Air Force has very successfully, blended the units together, flying the same kind of equipment with the same training standards. I believe it is a commitment on the part of the Navy that that particular end strength that they have asked for best supports both the active and Reserve side, better integrates the Reserve to meet the mission commitments of the Navy.

Senator CHAMBLISS. Does it have anything to do with the lesser number of ships that we're floating in the Navy now?

Secretary HALL. You would have to ask Admiral Clark that, but not in my view. What it is, is an attempt, I think, to better use and better integrate the Guard and Reserve, but nothing that I know of has to do with less ships.

Senator CHAMBLISS. Okay.

Mr. Hollingsworth, I'm sure you'll agree that it's troubling that some reservists who are in college and are mobilized may be losing credits and tuition. This has been a constant problem that we've had to face. I'm glad to see that some States have taken action to prevent abuse, but more action may be necessary. Please share with us your view of the extent of this problem. How responsive have colleges and universities been to requests for relief for students? What's the Committee on Employer Support to the Guard and Reserve doing to address this problem?

Mr. HOLLINGSWORTH. Yes, sir. We'd not deny that there is a problem with that, but I would be happy to report, sir, that it's not as serious as some think. We don't get many calls on that—people think of us as employer support. We try to get the word out to the young men and young women that if you do have a problem in that area, we're going to take that on for you. As we did our strategic planning last year, we looked at where we were as an organization and how we were supposed to support all those people out there. We found out about one-third of these young men and young women are involved in some type of higher educational process. We had no programs to support that, so we really jumped ourselves into high gear to really start looking at that.

Senator Nelson, you'd be happy to know that one of the things I'm trying to do is develop these personal relationships with the college and university presidents. I've spoken to the University of Nebraska president there in Lincoln, and he's really been supportive. What we're trying to do, sir, is beyond just getting the folks back their tuition and their room and board and the other things that apply there. One of the most valuable things we have as human beings is our time, and if you take a young man or young woman who spends a certain amount of the semester in college trying to earn college credits and suddenly we pull them away from there, he's lost that time. We can give the money back, but that doesn't solve the whole problem.

We think that we should go further than that. We have the capability, from an information technology perspective, that we could

continue their education through distance learning. Those are the things we're approaching. We have a model program that's been established that we're going to develop more fully and take it to all the States and all the universities, and, so far, everyone that I have talked to at the college-president level is extremely supportive of this.

The devil is always in the details, and the people that would really make this work or not work are the professors. They're the ones who are going to have to do the extra work to develop the curriculum that goes into an IT perspective so it can push this out.

This won't work in all cases, because if you're taking a chemistry lab you can't do that with the IT. Certainly if a young man or young woman is taking some of the humanities courses, economics, English, geography, these things lend themselves very well to the continuation of their education while they're on active duty. Not all the people, because some of them are in pretty severe combat conditions, can take advantage of that, but if someone is doing things in the Sinai, if they're in Kosovo, they have access to IT and they can continue their education. That's what we're pursuing, from the Employer Support of the Guard and Reserve perspective. We want to be proactive. We don't want to wait until problems come along and then have to deal with them. We want to take care of these before they become an issue with the students and with the colleges and universities.

So you can rest assured, sir, that we're going to attack this problem. We're not just going to sit by and wait for something to develop. We're going to be really out in the front of this thing. It needs to be done, because these folks need that kind of protection.

Secretary HALL. Mr. Chairman, I might say there's another element to attack this problem, and it's called the Serviceman's Opportunity College. I don't know whether you have heard about that, but it's a consortium of about 1,350 colleges, that have signed up throughout the country. The Serviceman's Opportunity College—it's a strange name for it; it probably ought to be named something different—but it's a group of 1,350 colleges and representatives that have signed up to be willing to arbitrate any of the problems with tuition. We have used that. We used it in the Gulf War, in the post-Gulf War period, and we're using it now, and we refer cases to them, and we've been very effective locally, because they see the professor, they talk to the college. About 90-percent-plus have been arbitrated in favor of the students—in fact, near 100 percent. We're using that mechanism, and it's a consortium that signed up, of 1,350, which blankets the country.

Senator CHAMBLISS. Thank you.

Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

Secretary Hall, in your prepared statement, you discuss a DOD legislative initiative to extend hostile fire and imminent danger pay to Reserve component members on inactive duty. Now, the reason provided for this proposal is to ensure eligibility for these special pays based on the nature of the danger faced, not based on the duty status of the service member. Can you tell us a little bit more about what "inactive duty status" means and how someone in this

status could be in a position that would warrant hostile fire and imminent danger pay?

Secretary HALL. I was not in the Pentagon on September 11, but perhaps that tragic event is the one to reference as the beginning of this idea while on inactive duty there are many different categories that reservists can be in, such as IDT or inactive duty for training. You could be in a drill period and in the Pentagon—we had people at that time who were on drills, they had not been recalled, who could either have been killed or maimed—so it is to allow, in those circumstances where you might be in an area that no one predicted would be subject to hostile fire. No one predicted that would happen. By circumstances, you're caught in hostilities on a drill, and unless we had this legislation, then those benefits would not be available to you and your family.

I think it came from the tragic events of September 11 and a recognition that we must protect our young men and women no matter what status they're in.

Senator BEN NELSON. So the determination would have been made after the fact, not prior to the fact.

Secretary HALL. That's right. We could not, I guess, anticipate what would happen, but we would want to in the future.

Senator BEN NELSON. Right.

Secretary HALL. When that is declared after the fact by competent authority, then you would get your benefits.

Senator BEN NELSON. I understand.

In your prepared statement, you talk about the challenge in STARBASE civilian military programs that you administer, and these programs are obviously very highly regarded here in the Senate. They are great examples of the how the Department of Defense can reach out to disadvantaged youth and guide them toward becoming good citizens. Could you describe briefly for us these programs and tell us whether State funding shortages are having any impact on them at the present time?

Secretary HALL. Both of you gentlemen, of course, have them in your States. They're wonderful groups. I visited them. The Challenge Program, which with the 22 weeks of training for our at-risk youth, has $65 million in the budget for this year for that program. It's been a very successful program.

Part of the challenge is the State funding. What we're discovering is, in many of the States, because of the severe pressure on the State budgets, this program is beginning to compete with other kinds of programs, and that the State's share might not be able to be borne by the State. That should be of concern certainly to them, because these are local youths. The Federal Government is committed to its share. That $65 million appears to be appropriate.

STARBASE is a little bit different in that that program, in which participating young men and women who are also at-risk, learn in the area of math and science and go once a week for 5 weeks to a program which assists them in getting those skills in math and science and also in becoming productive citizens. We have a little over $13 million in that program.

I strongly support both of these programs. In Louisiana, when I traveled there as the Chief of Naval Reserve, I visited the Challenge people on site and I saw those young men and women becom-

ing better, productive citizens. I think part of the challenge will be for the States to be able to make sure their budgets support their share of it.

Senator BEN NELSON. If they fail to support it, through their budgets, does that mean the demise of the program?

Secretary HALL. We try to help them. They have to make that judgment call, and there are a couple of ways you could do that, and we have recently talked to a couple of States. You might scope down the number of children in the program and be able to accomplish it within the funding that you have left. What I think would be a mistake would be to cancel the program, because these young men and women need that example. We need to help them be productive citizens, but the States have to decide, do you scope it down and have less people, or do you make that tough decision to not support it? I hope we keep those programs going.

Senator BEN NELSON. Secretary Hall, yesterday, I heard that top Federal officials have asked many of the 50 States to deploy the National Guard or some State Police programs to protect sensitive sites across the Nation from possible attack. If the National Guard is deployed for this homeland security mission, do you know what their status will be for personnel purposes?

Secretary HALL. I read the same thing, and I know Secretary Ridge talked to all of the Governors. I know they have developed an extensive list of the different facilities that need to be looked at, both Federal and State, critical infrastructure throughout the country, and to develop the plan by which we protect those. Of course, the military force is not a first responder. DOD is not. The other agencies are. We're in support of that.

I think there's adequate flexibility within Title 10, Title 32, or State active duty, using any of those three that is appropriate as determined by the Governor in consultation with Federal authorities to get the people on scene from DOD that you need to support the first responders.

So I think there's flexibility within those three provisions, Senator, to handle what we need, and we are cooperating in that review.

Senator BEN NELSON. In that regard, a number of the States have indicated that they don't have the funds to be able to activate the Guard. If a State doesn't do it because of the lack of money, is there the possibility that the Federal Government would reimburse the States for any call to active duty?

Secretary HALL. I guess I can only go back to the past, what has happened, and I wasn't here during that time. It's my understanding that if it's determined to be a requirement that we need those troops, and if it's determined that the appropriate way is to take Federal funds to reimburse them to go meet that mission, then I think that'll be done. I think that's a consultation between the State Governor and the Federal Government and a determination how we best get them there to do the job. There are provisions, and I think that will work.

Senator BEN NELSON. So you do believe that the Federal Government could step up to the plate in those situations? Would there be a situation where the Federal Government might refuse to?

Secretary HALL. I couldn't conjecture on that, sir. I think the provisions are there, and I have confidence that we'll do what's called for to protect that critical infrastructure.

Senator BEN NELSON. Okay.

Finally, Mr. Hollingsworth, in June 2002 the GAO reported that the DOD does not have complete information on civilian employers of the Guard and Reserve members, and this lack of information limits the ability of the Department to reach out to some of these employers to inform them of their rights and obligations and to help mitigate the temporary loss of employees who are mobilized. The GAO reported that the Department believes that the Privacy Act prevents them from requiring members of the Reserve components to provide this information. The GAO also recommended that the Department reexamine the provisions of the Privacy Act and determine whether requiring reservists to report information about their civilian employers is consistent with the act.

Based on your dealings with the service members as well as your dealings with employers, can you support a requirement that reservists provide information to the Department of Defense on their civilian employment so if there is an exception as required as part of the Privacy Act or if it's determined that an amendment is not necessary to require that?

Mr. HOLLINGSWORTH. Sir, I've got another good news story. Since that GAO report has been out, Secretary Hall and his staff have been working real diligently with Dr. Chu to bring that to fruition, and we're there. We have gotten authority to do that. Now we're in the process of establishing the technical ability to capture that data. I think by the first of June or so, we should start being able to have our ADP systems in place to make this happen. So that is a great story, and that's a tremendous help to us in ESGR, sir.

Secretary HALL. I might comment on that. In fact, we will in June. Part of our problem—and we get asked questions from various sources, how many of your people in the Reserve are first responders? How many of them are firemen or policemen? Because we want to know. We can't tell now, because we've had no requirement for guardsmen or reservists, to tell us their occupations and their employers.

What we intend to do is to make sure the information collected is minimal, we protect their privacy rights and only collect what we need to know so that we can tell who your employer is to make judgments on things like are we mobilizing lots of firemen and policemen. We've had no way to do that until now—we'll start collecting that in June.

Senator BEN NELSON. Thank you, both of you, gentlemen. Thank you.

Mr. Chairman?

Senator CHAMBLISS. Secretary Hall, the Youth Challenge Program in my State is one of the most important programs, I think, that has ever been implemented, and I commend the National Guard on a regular basis for putting that program in place.

I've spoken to one of the graduation classes, and my favorite story about them is a day that I happened to be there on a Friday afternoon when they were allowing the kids to go home. A gentleman came up to me after I spoke to the whole group—with par-

ents in attendance who were waiting on their kids to take them home for the weekend—a gentleman in overalls came up to me with tears in his eyes, and he said, "Congressman, I just want you to know were it not for this program, my son would be dead." Boy, you talk about something getting to you. That was about as powerful as it gets, and he meant it, and I knew he meant it. That's how important that program is.

Secretary Hall, active duty physicians, nurses, and other healthcare providers receive significant compensation through a series of special medical pays. Many of these special pays require a service commitment; therefore, Guard and Reserve healthcare professionals are not eligible for these pays. I understand that one of the categories of reservists with the greatest income loss when activated is these healthcare professionals. Is the Department considering any type of medical special pay authorities to address the significant gap between active and Reserve healthcare providers?

Secretary HALL. We are going to be examining that question in the pay and compensation study that the Department is undertaking. We hope to complete that by August. It's going to be a very broad look.

Some of the things that we need to examine are recruiting, retention, and use of medical professionals, where we have shortages, and the effect of bonuses or incentive pay and other compensation where appropriate, and we're going to look at that comparing the Reserve to the active. That will be examined in that overall pay and compensation study for Guard and Reserve, which we hope to complete by August and report the results to you and others.

Senator CHAMBLISS. Good.

Medical and dental readiness is a key to having deployable personnel, and a significant problem arose during the Gulf War when Reserve component service members were not dental-ready. This caused delays in the service member's deployment until dental issues were resolved, costly alternatives for DOD to provide the appropriate dental response, and often dramatic measures to correct problems that under other circumstances could have been handled with less severe treatment. Mr. Secretary, based on the experience gained during the Gulf War, what steps have been taken to ensure that dental readiness is not a problem this time? What steps still remain to be resolved?

Secretary HALL. You hit upon it. Dental readiness is much bigger than just the medical, although it's all medical in nature. Based upon the Gulf War, a lot of attention has been given to the issue, but it still probably remains the number one.

One of the issues that we have looked at is when are the guardsmen and reservists available to get dental care? One of the initiatives is to provide a low-cost dental insurance plan for our guardsmen and reservists. It's a self-pay, but I think the cost is—if I'm not right, we'll get back to you—$8.35 a month. Through this dental plan, it affords them the opportunity to buy that insurance to get themselves generally ready.

Now, that's only a portion of it. The second is, how can we work on those young men and women at other times—can it only be when they're on active duty? We're examining the rules about being able to, as I've often said, not make light of it—"drill" them

while they're on drill. So when they're drilling, can we provide our dentists to work on them? Because that would be very helpful.

So we're examining a number of those alternatives recognizing it's probably our number one problem all with the goal of getting better in this mobilization than we were, but I don't think that better is quite good enough. Those are initiatives we'll look at to continue attacking the problem.

Senator CHAMBLISS. Ben, do you have anything?

Senator BEN NELSON. Just one more.

Senator CHAMBLISS. Okay.

Senator BEN NELSON. We've all heard stories of reservists who have experienced financial difficulty in being called up. There have been stories in the paper. Just recently there was one in a television program about the challenges that are there, what will happen to a family if it loses 60 percent of its income with 100 percent of its expenses continuing. Most families can't withstand that kind of a shock to their personal economy, and obviously it does create quite a challenge in the event of mobilization.

Do you have any thoughts on what we might do in terms of dealing with that kind of a challenge?

Secretary HALL. I have some, and then I would ask Mr. Hollingsworth to talk to you a little bit about what some of our employers and other people are doing.

It's a problem which you hear a lot about, and what we're attempting to do is get our arms around the truth, because I read the same reports that go out about guardsmen and reservists that are losing tremendous amounts of money. We have attempted to come at it as analytically as we can.

We have had a couple of surveys, and I add the caution of saying one of them was in 2000, one of them was in 2002. They surveyed a lower-amount database than we wanted, but we think they're statistically relevant. They generally show that about one-third of our guardsmen and reservists lose money when they go on active duty. About two-thirds, however, hold themselves even or actually gain.

After I was here before, Mr. Chairman, I reviewed for your State some of the wages. In some cases—and I hate to say it, because I think our teachers are underpaid throughout the country in all of our States—our guardsmen and reservists would almost double their pay from being a teacher, if they're an officer, when they go on active duty.

So we believe the two studies statistically validate each other, that about one-third lose some sort of pay. Of course, we'd rather not anyone. But many of our companies have stepped up to the plate, and I might ask Mr. Hollingsworth to tell you what is being done privately across the board, what is being done by some of the States that are picking up the difference in the pay.

Mr. HOLLINGSWORTH. Yes, sir. A great news story, and it just makes me beam with pride in what our employers are doing as they step up to the plate and support our young men and young women across the country.

Now, I have a list here of about 300. Lists are strange things around this town, because you have to be careful with getting lists because you don't want to have some people not wanting their

name on a list. We're trying to take the people that really care about our Guard and Reserve and make them aware of just how proud we are of them. In many cases—we've done the surveys, and as we touch people every day in both the public and the private sector, we continue to learn about what they're doing to support the Guard and Reserve.

I just heard one case that came out of a company that covers six States in New England for their folks in the Guard and Reserve who belong to that company, they're going to provide the difference in salary. They're going to continue the medical benefits. They're going to form, or they have formed, family support programs so that if their yards need mowing, if their children need to be taken to the doctor, and so forth, they can provide babysitting. There's really incredible things being done out there. But these people went one step beyond. They say if you have a spouse that's in the Guard and Reserve and you've been mobilized, we'll give you an opportunity without using vacation time—we'll buy you a ticket to wherever that person is, if he's in the United States, and let you go visit him or her.

So those are the kind of things people are stepping up to the plate to do, and it's a really exciting time to be a part of this because the employers really are stepping up to the plate.

I would encourage Congress to just continue to acknowledge what our folks are doing. That's both in the private and the public sector. We have young businesses in the small townships that are really hurting because of the financial situation that they may be in. From a tax-base perspective, when their folks are mobilized out of their townships, they're meeting their salary differential, continuing their medical benefits. It's a great news story, sir.

Secretary HALL. The other thing, if I just might, we also want to make sure, and it is a complex problem, but our young men and women that are mobilized in the foxhole are earning the very same as their active duty people right alongside of them. So we have to be careful to balance all of the factors so that each and every E–5 Reserve or active are earning the very same salary, and we monitor that. It's also something you have to consider.

Senator BEN NELSON. Is there any idea or a ballpark estimate of how many people and what percentage of their income they're losing? If you're losing only a slight part of your income, it's one thing. But the story the other evening of losing 60 percent, that's another, you may not have as many suffering the hardship, but you could have the few suffering a great hardship. I wonder if there's any way of determining what hardship is being suffered and by how many.

Secretary HALL. We haven't had the fidelity that we need within our systems. That's one reason we need an employer-based system, so we can accurately slice that and cut that and take information away from it. Generally, our experience tells us that in certain fields, a vast amount of loss is not being realized in the firemen and policemen and other skills. In doctors, perhaps lawyers, and some of the other information technology specialists that are very high-earning there may be greater losses.

Senator BEN NELSON. If they run a solo practice?

Secretary HALL. Yes.

Senator BEN NELSON. With an office full of backup personnel, they would be more detrimentally hurt, as would others, if they had to give up the——

Secretary HALL. I think that's where you see—and that's where the larger differentials—and we need to do a better job of cutting it the way you indicated and getting the exact ground truth on it. It's hard to come at. I suspect it's in the ones that were typically very high wage earners, perhaps physicians, and then they would suffer a bit more.

Senator BEN NELSON. I suspect you're not trying to figure out a way, for those who are actually earning more, to give it back.

Secretary HALL. We have seen no one willing to do an income distribution so far within that 66 percent——

Senator BEN NELSON. Redistributions like that happen in government, not out there. Yes.

Secretary HALL. Sir, I've talked to many guardsmen and reservists as I travel around the country. They say, "Yeah, we're suffering hardships, but we know it's important for our country." In large part, they're silent, they're doing what's fundamentally right because they know that when they signed up to stay in the Guard and Reserve that there's an obligation to their country's defense there that they're willing to accept, and they know that there's a risk involved, and that makes you even prouder to be an American, to see what they're doing.

Senator BEN NELSON. I think it's important for the record to indicate that we are not undersiege by report after report by any of the reservists or their families about this situation. They will suffer silently because of their sacrifice and their commitment to their country. It's because of that that I think it's important we bring it up, since they're certainly not going to bring it up or raise the issue significantly. I think it is important that we make sure we're doing everything we can to deal with that issue.

I think it's also important, as you would agree, to the future of the Reserve or Guard components because of the fact that if you're going to lose a solo practice or you're going to lose a great deal of money and risk financial challenges, you may decide that you can't be a part of the process.

Secretary HALL. Clearly, for recruiting and retention for the future, we're all going to be competing for a smaller demographic pool of people. We're competing against business, and we have to think through this thing regarding total pay and compensation for the future. As we compete for that smaller base of manpower to retain and recruit people, we're going to have to consider that, and that's our commitment in looking at this in a very broad-based way with respect to compensation and pay for all of the guardsmen and reservists.

Senator BEN NELSON. Thank you, again.

Senator CHAMBLISS. Secretary Hall, just one other question that I'd like to get you to comment on, and that is the proposed merger of the military personnel accounts, Guard and Reserve, with the active force. Obviously, this has generated a lot of controversy inside and outside of Congress, and I would appreciate any comment you would like to make on this proposal.

Secretary HALL. Certainly, what Congress decides on it ultimately will be what we will do on it. I think, if I can best characterize the management initiative—and it does parallel my experience when I commanded the Reserve and in my other military billets—and that was that any commander, businessman, or anyone would like to have flexibility within their accounts. You would like to have control of all of the different kinds of pots, be able to apply those as you best see fit, and flexibility.

The Department feels that there would be more flexibility combining the Guard, Reserve, active duty accounts to be able to move money from active to Guard or Reserve, or vice versa, based upon the need. It could move either way. They will still maintain the visibility by appropriation, however, so that it could be viewed by the Department, myself, and you to see if a balance is being maintained.

I think it is certainly—from Secretary Rumsfeld's position, he would like more flexibility in all of his accounts to be able to manage the money in a more flexible way. That is what's behind it. There's a lot of concern on behalf of associations, guardsmen, and reservists, "Will this mean migration of large amounts of money from Reserve accounts over to the active side?" I don't see that. I think should those kinds of things occur, it would be incumbent on all of us to explain why, to provide visibility on that, and to make sure the right thing is being done.

We have no indication that this system would not provide more flexibility and would not work at this point. I think we have to see.

Senator BEN NELSON. Mr. Chairman, I have one follow-up question to that.

Senator CHAMBLISS. Sure.

Senator BEN NELSON. In terms of having the flexibility here, would this still protect the accounts as it might relate to the availability of the Guard at the local level to deal with emergencies, or will I be getting a call from the Nebraska Adjutant General saying that, "I'd like to help my Governor, I'd like to help the people in the State of Nebraska, but they pulled the money out of my account. It's over in another account, and I can't mobilize to deal with an emergency?"

Secretary HALL. I would hope you wouldn't get that call, and the panel that follows us might be the first one to get that. It certainly would not affect the State funds which the Governor could use. I do not think it would affect the overall pot of money available in Federal funds to support either Title 32 or Title 10 requirements, and I don't think that's at all the intent of it; it's more one of flexibility.

Senator BEN NELSON. I understand it wouldn't be the intent; I just wanted to make sure it wasn't the unintended consequence.

Secretary HALL. I hope you don't get that call, sir.

Senator BEN NELSON. All right. Thank you.

Senator CHAMBLISS. Gentlemen, thank you very much for your testimony today. We appreciate your being here.

I'd now like to ask our second panel to come forward, Major General Raymond Rees, Acting Chief, National Guard Bureau; Lieutenant General Daniel James, Director, Air National Guard; and Lieutenant General Roger Schultz, Director, Army National Guard.

Gentlemen, thank you for being here today, and we look forward to any opening statements you have to make.

General Schultz, we'll start with you.

STATEMENT OF LT. GEN. ROGER C. SCHULTZ, ARNG, DIRECTOR, ARMY NATIONAL GUARD

General SCHULTZ. Thank you, Mr. Chairman.

Mr. Chairman, if I could, I'd like to introduce the senior enlisted member of the Army National Guard, Command Sergeant Major Frank Lever. He's with us today. He looks after our soldiers in the field, and I just want you to know, Mr. Chairman, I'm honored to serve with that soldier.

Mr. Chairman, today we have over 80,000 members of the Army National Guard in a partial mobilized status. That's in addition to the other deployments that we have around the world. We've already discharged over 20,000 members from previous years' mobilization duty. So we had over a third of the Army Guard on some duty status since the September 11 attacks just a couple of years ago.

Mr. Chairman, I appreciate your interest in looking after our team in the field. Today, in a special way, it's not just our soldiers; it's our families and our employers, as well. "Trained and ready" is the theme that we carry throughout our work. Mr. Chairman, with your support and members of the committee's support, that's exactly what we have.

Mr. Chairman, I'm honored to represent their interests here today. Thank you.

Senator CHAMBLISS. Thank you.

General Rees.

STATEMENT OF MAJOR GEN. RAYMOND F. REES, ARNG, ACTING CHIEF, NATIONAL GUARD BUREAU

General REES. Mr. Chairman, I'm grateful to be here and have this opportunity to talk about the Guard, and pleased to be here with both the Director of the Army Guard, General Schultz, and the Director of the Air Guard, General James, and their senior enlisted noncommissioned officers that are here with us.

I want to also thank you very much for your support and this subcommittee's support. The magnificent effort that's going on in the Guard and Reserve right now all across the globe couldn't have been done without the help that's been given to us over the years.

I have prepared a written statement that provides detail, and would offer that for the record. I just want to take a moment here to highlight some key points.

Perhaps more than any time in modern American history, both the Army and the Air National Guard have been responding to the call of America. Even prior to the events of September 11, 2001, the Guard was performing, in unprecedented numbers, in support of military operations worldwide and military support to civil authorities at home. Since that time, the numbers have gone even higher.

The Guard is well-suited to be flexible and responsive in its ability to provide personnel to both combatant commanders and Governors in the various duty statuses available to meet each need.

My written testimony details these duty statuses and the means in which they can be employed, and the success in which these duty statuses have been used I believe are well-documented.

I would also add that at least one of them, in Title 32, U.S. Code, in which national guardsmen are under the command and control of the Governor but paid for with Federal funds, is a template that we believe should be considered for other missions as they relate directly to homeland defense.

I would like to also highlight some success stories of our National Guard. While it is true that both the Army and the Air National guardsmen that are being called away from careers and families for extended periods, that the members are out there and are proud to serve. Given a large number of guardsmen that are called to duty, as General Schultz just mentioned, 80,000-plus of the Army National Guard and nearly 17,000 Air National Guard, are mobilized. We have individuals in other statuses at this moment that, when we look at the complete picture, there are over 140,000 national guardsmen that are involved in one way or another either in the Gulf, someplace around the globe, or in the domestic service. They train for their missions. They're ready, willing, and able to perform these missions when called upon to do so.

I'm sure that General Schultz, myself, and General James can give you many anecdotes about meeting troops in the field, but General James can give you even more detail because of a mobilization survey that was just conducted by his organization.

Importantly, in that survey, 89 percent of the Air National guardsmen indicated satisfaction with their amount of time in uniform, and 82 percent indicated that they intend to stay in the Air National Guard. When asked what would increase their likelihood of staying, the number one incentive was increased pay and benefits. This highlights that our guardsmen are proud of what they do and like doing it, and it's pay and parity issues that remain to be resolved.

My written testimony also addresses other issues, such as disparity in benefits of national guardsmen serving under Title 32 who are not protected under the Soldiers' and Sailors' Civil Relief Act.

I'd also like to mention that the increased use of the Guard has also intensified our need for more full-time manning. That's a very big issue for us across the board.

The fight against terrorism and the protection of our homeland will be a protracted effort. Many policy experts, reports, and studies have advocated an expanded role for the National Guard in homeland defense. We'd like to think that we've been doing this since 1636, and we will continue to do so. Our mission under the Constitution is to repel invasions, suppress insurrection, and execute the laws of the Union. Certainly under both Title 10 and Title 32, our mission there is to be an integral part of the first line of defense of this Nation.

The reality is that the National Guard is an integral part of the Army and Air Force total mission capability, and that role is vital to the Nation. The Guard Bureau is going to work with the States, with the Northern Command, with the Services, with the new Assistant Secretary of Homeland Defense, and so on to identify whatever additional homeland defense capabilities are needed, and we

plan to consolidate and validate the stated requirements and help find solutions. In this capacity, the National Guard Bureau, we believe, can serve as a very useful channel of communications to all of those entities that I have mentioned, as well as be the channel of communication that we are traditionally seen as with the Department of the Air Force, the Department of the Army, and our role as the Reserve of those Services.

The men and women of the Army and the Air National Guard are well-engaged in every aspect of our national response to the threats facing our country. They are making significant sacrifices. They are enthusiastic about serving and do so with pride and determined competence. They prove every day that when America needs the Guard, the Guard is there.

I thank you for this opportunity to testify, and I stand ready to take your questions, sir.

Senator CHAMBLISS. Thank you.

General James.

STATEMENT OF LT. GEN. DANIEL JAMES III, ANG, DIRECTOR, AIR NATIONAL GUARD

General JAMES. Mr. Chairman, I, too, would like to thank you for this opportunity to appear before you today.

Before I get into my remarks, I also would like to introduce the Command Chief Master Sergeant of the Air National Guard, Chief Master Sergeant Val Benton, who's in attendance here today. Master Sergeant Benton serves as my senior enlisted advisor and my link between the Air National Guard directorate and the enlisted airmen in the field, and does so very well.

As we enter yet another phase of challenging times for our Nation, the Air National Guard is more involved in global operations and the defense of this Nation than any time since the Korean War. General Rees pointed out, there are tens of thousands of airmen around the globe this afternoon serving their country very well.

Our new motto in the Air National Guard is "ready, reliable, and relevant" and it is perhaps an understatement of the great things our men and women are doing in service of our Nation. We have quite a story to tell, and I'm very proud to be the conduit of that story on behalf of over 109,000 patriots that comprise your Air National Guard today.

The close relationships we have maintained with our members, their families, and their employers are key to the Air National Guard's accessibility and reliability during the global war on terrorism. We would like to thank Congress for recently passing two pieces of legislation that will significantly aid the Air National Guard's future recruiting and retention efforts—significantly allowing to us to increase the prior service accession bonus from $5,000 to $8,000, and your initiative to increase the eligibility period for the Montgomery GI Bill benefits from 10 to 14 years. We believe that both of these programs will pay the Air National Guard and the National Guard substantial dividends in the years to come.

We're striving to retain the core of the Air National Guard, our midterm airmen. Those are those members who are serving between the 6-year and the 12-year point. By doing so, we'll be able

to substantially mitigate pressures on our training pipeline caused by the projected surge in non-prior-service members.

Our retention is the lowest in the mid-career airmen category. Currently, our re-enlistment bonus for critical specialties is capped at $5,000. We believe a more appropriate limit would be $10,000. This would help us sustain our readiness posture for rapid mobilization and deployment required by today's operations tempo.

While we strive to ensure parity of pay and benefits for all of our members, with deployments at historically high levels we must also keep a watchful eye over the families they leave behind. The post-September 11 challenges and operations tempo of the Air National Guard not only increased our reliance on our people, but ultimately placed increased pressures on families. We continue to recognize the importance of the family as the key tenet of readiness and retention. Family support is a readiness issue, and we address it accordingly. We have been successful in improving family support because you have given us the necessary resources to fund a full-time contracted family-readiness position at each wing and combat readiness training center.

Our employers are also a key component of our ability to put the right person in the right place at the right time to support our national security objectives. The Air National Guard could not function without the support of America's employers. With the increased utilization of Reserve component personnel, employers are being impacted now more than ever.

In closing, we do not know what the future holds for our dedicated men and women. We do know that they have a proven track record of rising to every challenge and answering every call. We are busier than ever, and we are needed now more than ever, and we most certainly need the equipment and resources to perform our mission; however, our most precious resource remains our people. We are confident that working with you, we will remain a premier military organization serving in the communities throughout this land, protecting America, at home and abroad.

I thank you again for the opportunity to appear before you here today. I look forward to working with you and to answering your questions.

[The prepared joint statement of General Rees, General Schultz, and General James follows:]

PREPARED JOINT STATEMENT BY MG RAYMOND F. REES, ARNG; LTG ROGER C. SCHULTZ, ARNG; AND LT. GEN. DANIEL JAMES III, ARNG

Mr. Chairman and members of the subcommittee, as always we are extremely grateful for this opportunity to talk about the National Guard and what it needs to stay strong for America.

Title 10 of the United States Code invests the Chief of the National Guard Bureau with many responsibilities for administering, training, organizing, and equipping the National Guard nationwide. I appear here today in my capacity as the Acting Chief of the National Guard Bureau. I am joined by the Director of the Army National Guard, LTG Roger Schultz and the Director of the Air National Guard, Lt. Gen. Danny James. Both of them are charged with the statutory duty to assist the Chief of the National Guard Bureau in carrying out the functions of the National Guard Bureau. They will talk in detail about Army and Air National Guard matters respectively. Before they do that, however, I would like to mention a few joint, overarching concerns that apply to both the Army and the Air National Guard.

The issues we address today and many others are covered in the 2004 National Guard Posture Statement. This document is in the final stages of completion and will be available to you and your staff members shortly.

JOINT NATIONAL GUARD ISSUES

Perhaps more than at any time in modern American history, both the Army and the Air National Guard has responded to the call of America. Even prior to September 11, 2001, the National Guard was performing an unprecedented amount of duty in support of military operations worldwide. Since that time, national guardsmen have come forward in huge numbers to fight the war on terrorism both overseas and here at home.

The National Guard as a State/Federal Asset—The three duty statuses

The National Guard can be employed in three separate duty statuses and members of the National Guard have been employed heavily in every one of them. First is State active duty. State governors call their National Guard members to full-time State active duty to provide disaster relief or help law enforcement preserve civil order. Since September 11, States have also put guardsmen on duty under State-funded orders to fight terrorism. They have performed myriad homeland security tasks at the State level including guarding ports, bridges, power plants, and other key facilities.

Second, national guardsmen can be employed under 32 USC 502(f) for duties funded by the Federal Government but executed under State command and control. Nearly all National Guard training is done in this status. Civil Support Teams and the National Guard Counter Drug program not only train but also conduct operational missions under this status.

Civil Support Teams use military assets to help State and local authorities identify and deal with chemical, biological, radiological, nuclear, and high explosive hazards. They are jointly manned by both Army and Air National guardsmen. Over the past year the value of these teams—and the wisdom of congressional support for them—has been demonstrated over and over again. Of the 32 Civil Support Teams that have been established, the Secretary of Defense has operationally certified 31 of them. We expect the remaining team to be certified within days.

National Guard Counter Drug activities use military assets to help law enforcement fight the war on drugs. In many cases, drug money funds terrorism. In addition to fighting terrorism indirectly, some of our National Guard counterdrug assets have also proven helpful in fighting the war on terrorism. Because the military assets are employed by State governments, the restrictions of Posse Comitatus do not apply. The unique structure of the program allows national guardsmen to provide this support to law enforcement without diminishing the readiness of National Guard units to perform their Federal mission. Recently we have taken steps to ensure that support provided by national guardsmen for this mission is reflective military tasks so that doing these missions actually strengthens wartime readiness. This program is a valuable tool for merging military capabilities with law enforcement. It has successfully helped fight drugs. A similar program based on this model might be valuable in fighting terrorism.

Since September 11 the National Guard has also successfully performed even more homeland security operations under the Title 32 duty status as well. When the President asked State governors to employ the National Guard to secure America's airports, this was done using Title 32 duty. This was highly successful. In addition, Title 32 duty is being used to employ national guardsmen for added force protection at National Guard facilities nationwide. For homeland security matters in which States and the Federal Government have a shared interest, the use of the National Guard under Title 32 duty has proven to be a highly valuable tool for putting boots on the job.

The third duty status for national guardsmen, of course, is Federal active duty under Title 10 to provide units to the active Army and Air Force for war or other national security requirements. This is what we train, organize, and equip for. National Guard contributions to the Army and the Air Force over the past year will be covered in their respective sections below but in both cases, it has been historic.

Mobilization Effects on both Army and Air National Guard

While it is true that both Army and Air National guardsmen are being called away from careers and families for extended periods, the members of the National Guard are proud to serve. Given the large numbers of guardsmen called to duty, there have been relatively few complaints. They train for the mission. They are ready, willing, and able to perform the mission when the time comes.

Even so, there are some issues. One of the negative impacts of the increased level of mobilizations has been the disparity in benefits. Members of the National Guard mobilized under Title 10 are protected under the Soldiers and Sailors Civil Relief Act. Those serving under Title 32 are not protected.

The increased use of the National Guard has intensified our need for more full-time manning. We are a force largely of traditional part-time citizen-soldiers and airmen. The few full-time people we do have are crucial to performing the administration and training preparation necessary to make productive use of the limited training time available to the traditional drilling members.

We are working successfully with both Services to establish a truly joint State headquarters. This will enhance jointness in the National Guard right down to the State level. More importantly it has the potential to greatly strengthen mobilization as well as operational capabilities here in the United States.

Homeland Security

The National Guard is poised to play important roles in homeland defense including missile defense, air sovereignty, and information operations among others. In addition to these military missions here inside the United States, the National Guard Bureau will also facilitate military support to civil authorities by the Army and Air National Guard. Military support to civil authorities includes domestic disaster relief operations that occur during fires, hurricanes, floods, and earthquakes. Our support also includes counter-drug operations and incident management assistance, such as would occur after a terrorist event employing a weapon of mass destruction.

Under Title 10, the National Guard Bureau is the official channel of communications between the States and the Departments of the Army and the Air Force. Recently we have coordinated with the Combatant Commander of U.S. Northern Command to perform that same role for NORTHCOM. As part of this, the National Guard Bureau provides situational awareness on State-commanded National Guard operations to the Commander of U.S. Northern Command to augment his ability to effectively plan for and manage the overall role of his command.

The National Guard Bureau's capability as a two-way channel of communication to the National Guard of the several States is a valuable tool in the homeland defense and homeland security environment. We are pursuing some discussions and initiatives inside the Department of Defense to better exploit that capability for all segments of the Department of Defense.

The fight against terrorism and the protection of our homeland is expected to be a protracted endeavor much like the Cold War. To that end, many policy experts, reports, and studies have advocated an expanded role for the National Guard in homeland security. While some have suggested that the National Guard should be reoriented, reequipped, and retrained for the homeland security mission, the reality is that the National Guard is an integral part of the Army and Air Force Total Force mission capability and that role is vital to the survival of the Nation. In the past the resources, personnel, equipment, and training provided for the wartime mission were sufficient to allow the National Guard to also fulfill its local and State support role by responding to local disasters and military support to civilian authorities. Times have changed, however. The threat posed by well-financed, sophisticated, and determined international terrorist groups has raised the bar as to what the National Guard must be able to do. While the National Guard will continue to maintain a high state of readiness for overseas operations, it must also better prepare itself to respond to the homeland security mission within the United States. Both at the National Guard Bureau and in the States, the National Guard is working hard to find ways to meet the increased demands of the homeland security mission while still maintaining its ability to execute its Total Force requirements.

The National Guard Bureau will work with the States as they identify what additional homeland security capabilities they need. We plan to consolidate and validate the stated requirements and help find solutions.

The road ahead also includes a transformation of National Guard counterdrug efforts into an integrated Counter Narcotics/Homeland Defense Counterterrorism program. These mission areas employ many of the same tactics, techniques, and procedures, as well as equipment, training, and skills. Therefore, a great deal of cross-skill transfer will begin immediately once the change is effected, and a quick, effective, seamless transition between and across mission sets will allow Guard troops to readily take their places on the front lines of the war against terrorism at home and abroad.

Conclusion

The men and women of the Army and Air National Guard are extremely busy. Thousands are away from their families and their careers, serving in uniform for their State or the Nation in the global war on terrorism. They are making significant sacrifices. Even so, they are enthusiastic about serving and do so with fierce pride and determined competence. They prove everyday that when America needs the National Guard, the National Guard is there. We have a non-negotiable contract with the American people to win our Nation's wars and are entrusted with their most precious assets, America's sons and daughters. These sons and daughters are proud and patriotic members of the Army National Guard family.

ARMY NATIONAL GUARD

The Army National Guard plays a crucial role in providing security to the Nation, the Nation's citizens, and the interests of the country overseas. We fulfill our role in the National Military Strategy by supporting combatant commanders and conducting exercises around the world. Within our borders, Guard soldiers continue to provide assistance to victims of disaster and protection from our enemies. Our soldiers always stand ready to support the United States and its citizens whenever and wherever they are needed.

Operations Noble Eagle and Enduring Freedom

From September 2001 to September 2002, the Army National Guard alerted and mobilized more than 32,000 soldiers throughout the country and around the world, fighting the global war on terrorism and defending freedom with our engagement in numerous operations. Operation Noble Eagle has mobilized in excess of 16,000 soldiers from 36 States and Territories to provide force protection at various Department of Defense facilities and at our Nation's borders. Operation Enduring Freedom has mobilized about 16,100 soldiers from 29 States and Territories to support the global war on terrorism in Southwest Asia through the U.S. Central Command area of operations. Army National Guard soldiers are also involved in other peacekeeping operations throughout the world.

Army National Guard Anti-Terrorism Force Protection

In fiscal year 2002, the Army National Guard provided soldiers for deployments in the continental United States and overseas. Almost 20,000 soldiers worked 1,490,000 mandays conducting force protection missions and executing border security missions at 83 sites owned by the Army Material Command, the U.S. Army Training and Doctrine Command, the U.S. Army Forces Command, the Immigration and Naturalization Service, and the U.S. Customs Service. The National Guard supported homeland defense missions by guarding airports, nuclear power plants, domestic water supplies, bridges, and tunnels in support of the State Governors.

The Army National Guard's Anti-Terrorism Force Protection and Physical Security programs provide for security and protection of facilities, personnel, and equipment, as well as the monitoring and maintenance of intrusion detection systems that detect and assess threats at 397 critical sites. Intrusion systems, closed circuit television, and access control systems decrease the number of personnel needed to guard facilities as well as prevent personnel from exposure to potentially harmful situations. Increasing security systems saves on personnel costs, requiring fewer soldiers to guard Department of Defense facilities, equipment, and property and are channeled instead into mission deployment or crisis management.

Contingency Operations

The Army National Guard has assumed the lead as the stabilizing force in the Balkans and in Southwest Asia. Six Army National Guard brigades and numerous battalions participated in rotations as part of the Multinational Force Observers in the Sinai, and in Southwest Asia, providing support to the Air Defense Artillery units in Kuwait and Saudi Arabia. The Army National Guard is scheduled to provide Division Headquarters and maneuver units to four of the next six rotations to Bosnia.

Military Support to Civilian Authorities

Since September 11, 2001, Army National Guard soldiers have responded to 263 requests for emergency support for a total of 645,419 mandays. These soldiers provided security, logistics support, transportation, and family care centers. They worked in support of World Trade Center relief, the Winter Olympics, and security at American icons such as Mount Rushmore, the Boston Marathon, and the Superbowl in Louisiana. Major wildfires involving 21 States and consuming over 6.6 million acres required 47,519 mandays of support. The Army National Guard provided

aviation support with water-bucket drops, security, and command and control as needed. The Guard's soldiers supported flood recovery operations in Kentucky, West Virginia, Tennessee, and Texas for a total of 23,882 mandays.

Extensions of Mobilizations Beyond One Year and Repeat Mobilizations

More than 6,100 ARNG soldiers currently are affected by either repeat mobilization or extension of their mobilization for a second year. A total of 41 units have been or currently will be mobilized for a second time since January 2001. These repeat mobilizations affect units either in whole or significant part. These repeat mobilizations include units mobilized under Presidential Reserve Callups for Bosnia, Kosovo, and Southwest Asia, as well as under Partial Mobilization for MFO-Sinai and Operations Enduring Freedom and Noble Eagle. The most affected unit type is Military Police. Of the total 41 units and 5,600 soldiers concerned, more than half—23 units and 3,090 soldiers—are Military Police. Other affected unit types include Aviation (Air Ambulance), Army Oil Analysis Program Lab, Engineer, Military Intelligence and Air Defense.

The number of soldiers currently in their second year of continuous mobilized service is 531. A total of 354 have been extended for Operation Enduring Freedom; 177 have been extended for Operation Noble Eagle. Extensions primarily are due to High Demand/Low Density nature of affected units, or due to the specialized nature of the skills required. Units and skills affected include Military Police, Special Operations Forces, Military Intelligence, Military History Detachments, Chaplains, and Information Operations.

Recruiting and Retention

The United States cannot undertake any worldwide military contingency or operational effort without the National Guard. The events of September 11, 2001 have placed increased demands on the Army National Guard. Manning and maintaining a viable force is our number one priority. There are new challenges today—the unknown impact of war, the lowered propensity for enlistment, retention challenges for soldiers returning from mobilization, and the continued competition with civilian sector all impact our ability to recruit and retain. But there are always challenges. Over the course of the last 8 years, the Army National Guard has maintained a quality force, meeting our congressionally mandated end strength objectives. We will continue to be successful in fiscal year 2003 and in the future.

Last year, fiscal year 2002, we achieved an end strength of 351,078, representing 36,441 officers and 314,629 enlisted soldiers. The Army National Guard met our accession goal, recruiting 32,811 non-prior service and 30,448 prior service soldiers. We exceeded both our first-term and career retention goals.

In fiscal year 2003, we must enlist 62,000 soldiers, 32,865 non-prior service enlistments, and 29,935 prior service soldier contracts. To date, we are experiencing a slight decrease in both non-prior service and prior service accessions. These challenges are not insurmountable. We are making adjustments to our national and by-State strength plans to meet our objectives. We are not seeing an increase to our attrition and retention numbers, based on increased demands. We are, however, working plans to address the possibility of higher attrition rates upon demobilization of our soldiers. There is no current indication that this will be problematic.

How we treat our mobilized soldiers, and more specifically, their families, will determine if our soldiers stay or leave the service after deployment. Family readiness, family assistance centers, and overall family care is critical to our long-term success. Many of the Guard families are not located in close proximity to military facilities. We are aggressively establishing and manning family assistance centers across America to ensure our family needs are met. Our outreach programs are not optional, we have an obligation to provide assistance to our Guard dependents. Our goal is to have 100 percent contact with every family member through active outreach. Continued support of these programs is critical.

Our inducement programs—bonuses, incentives, and education programs have been successful in attracting quality enlistments to critical positions, and retaining trained, qualified, and ready soldiers. As in the past, the Guard places great emphasis on our educational benefits which include Federal tuition assistance, Mongomery GI Bill, tuition assistance within the States, and specialized education programs to assist our soldiers in degree planning and lifelong learning. Education increases the wellbeing of the soldier, their families, and their potential in society. Soldiers that participate in education programs are much less likely to leave our ranks.

Today, we offer a non-prior service and prior service bonus for critical skills. We also offer a retention bonus for qualified soldiers. These programs have allowed us to meet our strength objectives while tailoring the force to meet specific manpower

requirements. We see continued funding of these incentives as critical to our success today and in the future.

The Army National Guard is active in the Army's Well-Being initiative. As Lieutenant General Le Moyne, the Army G–1, testified before this committee last week, "we recruit soldiers, but retain families". The well-being of our soldiers, retirees, veterans, civilian workforce, and their families is important to our ability to meet the Nation's call to arms. No where else is this more important than with our citizen-soldiers. We will continue to work hand-in-hand on this important initiative.

Accelerated Officer Candidate School Program

The Army National Guard initiated a very successful accelerated Officer Candidate School Program in 1996. This accelerated program cuts 11 months off the traditional course duration (8 weeks of full-time versus 13 months of part-time training). This is particularly beneficial to States experiencing large company-grade officer vacancies. Class sizes were increased to 200 students in 2001 and to 400 students in fiscal year 2002 to meet the forecasted training requirements submitted by the States. Moreover, an additional class was conducted beginning in January 2003 to support the current war effort. The Army National Guard will continue to grow the program to address the shortage of company-grade officers.

Initial Entry Training Management

The Chief of Staff of the Army has provided guidance to the Reserve component to have at least 85 percent of assigned soldiers qualified in their duty specialties by fiscal year 2005. The Army National Guard fully intends to meet or exceed this goal, funding this program at 95 percent of validated requirements for fiscal year 2004. In the past, the Army National Guard has had difficulty getting the proper Initial Entry Training quotas to meet the demands of the force. As a result, the Army National Guard has been lacking in qualified personnel in certain occupational specialties. These shortages affect its ability to mobilize and/or deploy.

In order to meet the quota goal, the Army National Guard has taken input from the Adjutants General and has developed a new Initial Entry Training management system. This system has refined the Army National Guard's ability to accurately forecast Initial Entry Training requirements. These forecasts will more closely match those necessary to meet Army National Guard readiness goals than previous methods.

The Army School System and Qualifying Army National Guard Soldiers

The Army School System is a multi-component organization of the United States Army Training and Doctrine Command, the Army National Guard, and the U.S. Army Reserve that has been organized to deliver Military Occupation Skills Qualification Reclassification, Noncommissioned Officer Education System, Officer Education System, and functional military courses. This system provides the National Guard with the means to train and retain quality soldiers and leaders who are so essential to rapidly and effectively responding to the Federal mission or to missions of homeland defense.

The Army National Guard has developed an In-Unit Training program that has enhanced the ability to produce a larger number of soldiers who have achieved Duty Military Occupational Skill Qualification. The Army National Guard has also provided Mobile Training Teams overseas to sustain the training of its soldiers who are deployed around the world. The Army Guard and Reserve instructional, training development, and budget management staffs are combining efforts to build a future United States Army Training and Doctrine Command that can deliver seamless training to standards as part of the institutional training within the Army.

The Army National Guard supports the initiative by the Army Deputy Chief of Staff for Personnel to hold selective retention boards that will allow selected captains and majors to be retained so that they may reach 20 years of active service. The Army National Guard also supports the Deputy Chief's initiative to select captains for promotion who do not possess a baccalaureate degree or military education certification. The actual promotion to the next higher grade will become effective once the individual completes the required civilian or military education.

Army National Guard Medical and Dental Readiness

Individual medical readiness of Army Guard soldiers has become a heightened priority since September 11, 2001. Individual medical readiness requirements include immunizations, dental, and medical screenings. The speed at which units deploy today places significant time constraints on the Guard to properly identify or correct medical or dental deficiencies at mobilization stations.

In October 2001, the Army National Guard initiated the Medical Protection System, an automated tracking system for medical and dental records. This system also

tracks physical exam readiness data, as well as HIV and DNA readiness data on file at the Army and Department of Defense repositories; it is used at mobilization stations to verify individual medical readiness in the Mobilization Level Application Software. When fully implemented, the system will allow commanders and human resource managers to monitor individual medical readiness of their soldiers. Resources can then be directed where needed, and early decisions can be made regarding the readiness of individuals and units to be deployed.

It is important to understand that with very few exceptions, Army National Guard soldiers are not entitled to medical or dental care for pre-existing disorders, only for injury or illness incurred in the line of duty. Dental readiness is particularly problematic. Both Congress and Department of Defense have attempted to positively influence dental readiness, but the remedy is not yet available. Units are still arriving at mobilization stations with soldiers in need of dental care to bring them to deployment standards.

If the Nation continues to utilize the Army National Guard and Army Reserve in support of the global war on terrorism, it must ensure that these Reserve components maintain the same high level of medical readiness as the active component.

Full-Time Support

Recent events, including fighting the global war on terrorism, underscore the vital role full-time support personnel have in preparing Army National Guard units for a multitude of missions both in the homeland and abroad. Full-time support is a critical component for achieving unit-level readiness during this period in the Nation's history. To meet readiness requirements, the Chief, National Guard Bureau, in concert with the State Adjutants General, has placed increasing full-time support authorizations as the number one priority for the Army National Guard. Those full-time Guard members are responsible for organizing, administering, instructing, training, and recruiting new personnel, as well as the maintenance of supplies, equipment, and aircraft. Full-time support personnel are critical links to the integration of the Army's components and remains the Army National Guard's number one priority.

Three years ago the Army conducted an extensive review of its Reserve component FTS requirements. As part of this process, the Army developed a FTS "high risk" requirement, defined as "the level of FTS below which units cannot maintain minimum standards for readiness". The ASA (M&RA) and Army G3 approved an incremental ramp in fiscal year 2000 to achieve the high risk level of support NLT fiscal year 2012. Funding for incremental growth along the ramp was programmed in POM fiscal year 2004–2009. The ramp increase funds an additional 724 Active Guard and Reserve (AGR) and 487 Non-dual Status Military Technicians each year until the high-risk level is achieved.

Requirements for ARNG FTS requirements have increased commensurate with the global war on terrorism and homeland security. Consequently, the ASA(M&RA) and the Army G–3 and have approved a 798 AGR requirement increase to support high priority emerging missions/initiatives. These requirements have been leveraged across the ARNG AGR FTS ramp, with the ramp now reflecting spikes in given years corresponding to respective implementation timelines. These increases are in addition to annual increases programmed in POM 04–09 for the high risk ramp. Categories with FTS increases include Ground-Based Midcourse Defense, NGB Homeland Security and Liaison Offices, Weapons of Mass Destruction—Civil Support Teams, and Transformation Installation Management.

Mobilizing Active Guard and Reserve Soldiers Under Title 32

The Active Guard and Reserve program is designed to ensure that the training and readiness of Army National Guard soldiers are maintained at a high level. These codes have very specific limits on how the Army or the States and territories can utilize their Active Guard and Reserve Force in times of need.

The events of September 11, 2001, brought these limitations to the forefront. Under Title 32, Active Guard and Reserve soldiers are not authorized to support State missions after 72 hours unless specific criteria are met, such as the imminent loss of life. The inability of State Governors and Adjutants General to utilize all of their full-time soldiers caused some significant organizational and leadership problems within affected formations.

Active Guard and Reserve members are critical assets to the force, enabling units to rapidly respond to State emergencies and homeland defense efforts.

Ground-Based Midcourse Defense Program

The National Guard is playing a significant role in the defense against ballistic missile threat by organizing, manning, and deploying Ground-Based Midcourse Defense Units. The Army National Guard received approval to activate a Missile De-

fense Brigade, based on the results of the Total Army Analysis 2009. The Brigade Headquarters will be located in Colorado and the first Battalion will be located in Alaska. These organizations will serve as the cornerstone for the Ground-Based Midcourse Defense program.

The Missile Defense Agency, Ground-Based Midcourse Defense-Joint Program Office has agreed to provide pay and allowance for initial personnel required for this program in preparation for Initial Defensive Operations beginning in fiscal year 2004.

As critical as this mission component is to the national defense, it requires adequate full-time manning to achieve full operational capability. By offering the needed manpower to the Army Space Command and the Space and Missile Defense Command, the Army Guard will provide this primary land-based homeland defense system.

Guard Knowledge Management

The Guard Knowledge Management Initiative and the Distributive Training Technology Project support the Army National Guard's ability to maintain and improve individual and unit readiness, the ability to mobilize, and quick, efficient deployment.

Through the effective integration of information technology programs and implementation of Knowledge Management initiatives, the Army Guard is enhancing its capability to identify, distribute, and access critical information that directly impacts the Army Guard's ability to meet readiness goals and mission objectives.

For example, the Army National Guard saves money and resources and heightens readiness by providing increased foreign language sustainment and enhancement training using distance-learning technologies. Courseware is being developed at several sites throughout the United States, including Iowa, Pennsylvania, Arizona, Arkansas, and New Jersey. In addition, the Vermont Army National Guard has been conducting Information Operations training since February 1999 for all components of the Army. The Army National Guard made full use of its Knowledge Management capabilities to conduct extensive pre-deployment training for the 29th Infantry Division (Light) Headquarters for their peacekeeping rotation in Bosnia.

The Army Guard has also partnered with the National Air and Space Administration to deliver a wide array of educational content to young people to stimulate interest in science, math, and technology. The Army National Guard is building on these and other success stories to help increase readiness through a vigorous implementation of Knowledge Management principles.

Army National Guard Restructuring Initiative

On September 8, 2002, the Secretary of the Army, Honorable Thomas E. White, introduced the Army National Guard Restructuring Initiative at the 2002 National Guard Association of the United States Annual Conference. Mr. White stated that "in light of our new plan for national defense [we] are now undertaking a new initiative which we will call the Army National Guard Restructuring Initiative. Whereas the original initiative Army Division Redesign Study converts combat formations to support structure, the new initiative restructures a sizeable portion of the National Guard combat formations to better support our combatant commanders' requirements."

The concept is to convert existing heavy and light combat structure to new designs that better support Combatant Commanders (including the new Northern Command) under the new defense strategy. Tentatively called Multi-Functional Divisions and Mobile Light Brigades, these new organizations will be first and foremost warfighting organizations prepared for full spectrum operations. The first unit could begin conversion as early as fiscal year 2005.

The conversion to these new organizations, combined with efforts already under way as part of the Army National Guard Division Redesign Study effort, will result in a 30 percent decrease in the current number of tracked vehicles in Army Guard Combat Divisions and Brigades. Although this constitutes a reduction of heavy assets, the National Guard is determined to ensure that the Army Guard does not maintain obsolete systems that are inconsistent with future Army operational concepts including unit design, support, and sustainment.

Army National Guard Aviation Transformation and Modernization

Army National Guard aviation is one of the Nation's highest value assets for both wartime and peacetime missions. In wartime, these Army National Guard aviation units provide the sustaining and reinforcing power required for successful execution of the National Military Strategy, as well as the most readily available Army aviation assets for homeland defense. In peacetime, these critical aviation assets are equally important for the widest possible range of missions at both the State and

regional levels. These peacetime missions range from Air Ambulance, Search and Rescue, and Counterdrug support in areas having no such civilian capacity, to wide-scale and timely response to both natural and man-made disasters.

The Army National Guard's aviation units continue to contribute almost half of the Army's aviation structure, including Counterdrug Reconnaissance and Aerial Interdiction Detachments in 37 States and Territories, which use specially modified OH–58 observation aircraft to support Federal, State, and local law enforcement agencies with counterdrug efforts in the U.S. These units are also postured to support homeland defense efforts. Six of these units were deployed along the northern border supporting the U.S. Border Patrol and Operation Noble Eagle during fiscal year 2002.

Since fiscal year 2002, the Army's aviation transformation effort, coupled with other aviation modernization and recapitalization improvements, has not only significantly improved the readiness and capabilities of Guard aviation units, but also has reduced the overall aviation footprint.

While significant quantities of modern series UH–60, CH–47, and AH–64 aircraft have been cascaded from active Army units to Army Guard units, the associated equipment (tool set, tool kits, test equipment, and parts) critical for the successful support of these aircraft has not kept pace. Current Army procurement levels will leave the Army Guard permanently short of its required number of aircraft. In addition, many of the remaining allocated aircraft are not scheduled for upgrade to the most current standard configurations.

Army National Guard Permanent Electronic Records Management System

The Army National Guard's Permanent Electronic Records Management System is a web-based system utilizing digital imagery to store and retrieve personnel records. The importance of the Permanent Electronic Records Management System lies in its seamless records management capability throughout the Army, enhancing both mobilization and personnel readiness.

By consolidating the administrative operations of human resources in one place, the Permanent Electronic Records Management System allows personnel records to follow a soldier regardless of component. In the past, the system was slow and labor-intensive, resulting in pay problems, promotion delays, difficulties in making new assignments, and low personnel morale. Fixing the problem involves the conversion of paper files to electronic files; and is a practice currently used by the Department of the Army for all of its personnel actions. At present the Army National Guard is the only military component that lacks electronic records storage capability.

Under the Department of Defense's vision for a "paperless environment," the Army National Guard will be required to provide electronic capabilities for personnel records in the 50 States, 3 Territories, and the District of Columbia.

The Army National Guard will adopt an Automated Selection Board System to support and improve the process under which information and votes regarding personnel actions are processed by military personnel boards.

Departing from an obsolete "paper" system to a digital system that views data and images from the Permanent Electronic Records Management System and the Department of the Army Photo Management Information System. However, once the Automated Selection Board System is adopted, it will save the Army National Guard more than $150,000 per year in microfiche production and postage costs.

This system is essential to achieve and fully support personnel transformation. The Army National Guard must remain interoperable with the Army and the Army Reserve by adopting this system. The conduct of boards at the State level will become extremely cumbersome due to unavailability of routine printed information. By failing to adopt the Automated Selection Board System, the Army National Guard will be required to download paper copies of an automated viewing and storing system.

Conclusion

The Army National Guard comprises diverse individuals from all walks of life united by the desire to keep the American people safe and secure. Many soldiers in the Guard leave behind promising career tracks and loving families to serve their country without compromise or hesitation. These soldiers lead dual lives; their sacrifices are overwhelming and should not be forgotten nor discounted.

While it has succeeded on many fronts, certain challenges still face the Army National Guard. The issues of recruitment, retention, and subsequent development of junior officers continue to be areas of discussion. Dental and medical care remains lacking for many soldiers in the Guard.

Army National Guard soldiers have accomplished much work in the past fiscal year, providing relief to victims of catastrophes, security at numerous vulnerable locations, and mobilization to various military operations world-wide. The Army National Guard, the crucial foundation of the Army, reinforces and augments the efforts of fellow soldiers to ensure that objectives are achieved and initiatives are met.

AIR NATIONAL GUARD

We are pleased to report that your Air National Guard is truly more relevant and more involved in global operations and defense of this Nation than anytime since the Korean War. The fruits of many years of training, preparation, and commitment to combat readiness—made possible in no small part by this committee's support—have come to fruition in a scope of participation even the most ardent of Total Force advocates may not have envisioned.

Today, nearly 50 percent of the Air National Guard, including 16,000 plus mobilized members or volunteers are serving around the world. Our new motto "Ready, Reliable, and Relevant" is perhaps an understatement of the great things our women and men are doing in service of our Nation. We have quite a story to tell, and are proud to be the conduit of our story on behalf of over 110,000 patriots that comprise your Air National Guard today.

The close relationships we have maintained with our communities throughout our history make it possible for us to answer our Nation's call during this global war on terrorism. Our communities' support, and the unselfish support of our employers, has truly been awe-inspiring. To provide a historical perspective, our mobilized numbers over the last year and a half, totaling over 30,000 people, exceed our involvement in all other conflicts in the last 25 years combined. Only the Korean War has involved more Air National Guard members in a mobilized status. We are proud to serve and solicit your continued support as we perform our dual mission as citizen airmen protecting our country here at home and around the globe, filling Aerospace Expeditionary contingency and steady state requirements. Our members' service is not without sacrifice and their sacrifice is not without meaning.

The role of the Air National Guard has evolved dramatically since the end of the Cold War to our current war on terrorism. The Department of Defense Total Force policy requires a greater integration of the Active and Reserve Forces. Our members continue to be to called upon at an unprecedented frequency and durations.

For fiscal year 2002, the Air National Guard's programmed end strength was 108,400. For the first time in over 10 years, our assigned strength exceeded the programmed end strength throughout the entire fiscal year. In fact, the Air Guard's average assigned strength throughout fiscal year 2002 was 102.5 percent and we ended this fiscal year at 103.4 percent of our programmed strength.

This situation was primarily a result of two factors; first, the implementation of Stop Loss during fiscal year 2002 that served to reduce separations; and second, the outstanding work of our recruiting force which exceeded their recruiting goal during a very difficult year.

With regard to Air National Guard retention, our rate since fiscal year 1997 has averaged approximately 89.5 percent. At the conclusion of fiscal year 2002, the Air Guard's retention rate stood at 92.7 percent. Personnel shortages remain in some critical specialties, primarily our aircraft maintenance career fields. We have placed emphasis on these and other career fields by offering enlistment and reenlistment bonuses, and other incentives such as the Student Loan Repayment and Montgomery GI Bill Kicker programs. As a result, in many of our critical maintenance specialties, we have seen real strength growth from 2 to 6 percent over the last 2 fiscal years. These incentives have contributed greatly toward enticing and retaining the right skill for the right job. Your continued support for the Student Loan Repayment and Montgomery GI Bill Kicker programs is critical to our success in attracting and retaining people in critical skills.

We would like to thank Congress for recently passing two pieces of legislation that will significantly aid the Air National Guard's future recruiting and retention efforts. Specifically, allowing us to increase the prior service accessions bonus from $5,000 to $8,000. Our recruiting depends heavily on our ability to attract former service members into the Air Guard, and our combat readiness is greatly enhanced through the use of their prior training and acquired skills. Second, your initiative to increase the eligibility period for the Montgomery GI Bill from 10 to 14 years should be of tremendous assistance in further improving the retention of our airmen. Both of these programs will pay the Air National Guard substantial dividends for many years to come.

However, for the Air National Guard to adequately compete for today's youths and reach prior service members, it is paramount that adequate resources be devoted

to marketing our message. At our present funding level, we are unable to establish or launch any paid broadcast advertising for the Air Guard. As a result, we have not optimized the opportunity to connect with the American public or to enhance the image of the Air National Guard. In today's mass media advertising environment, to effectively compete we need to use this medium. The next 5 years for the Air National Guard's recruiting and retention programs will be crucial. Approximately 47 percent of our Air Guard members currently have 16 or more years of service. Without additional resources for our advertising and awareness programs, our ability to motivate and attract young Americans into the Air National Guard will be severely curtailed.

We must also strive to retain the backbone of the Air Guard—our mid-term airmen. Our lowest retention rate among the three enlisted career status categories (first term airmen, mid-career airmen, and career airmen) is an airman with between 6 and 12 years of service. Currently, a reenlistment bonus for critical specialties is capped at $5,000. We believe a more appropriate limit would be $10,000. Raising this limit would allow us to pay those personnel who have shown a commitment to serve a bonus equal to or greater than the amount of that allowed for prior service members initially entering the Air Guard. Consideration to enhancing the reenlistment bonus is also vital from the standpoint of the Air National Guard's recent change in the accession force mix. In fiscal year 1997, the Air National Guard recruited 64 percent prior service personnel. In the last 5 years ending in fiscal year 2002, that figure had dropped to 49 percent. As a result, recruiting more non-prior service personnel became the norm in order to meet our programmed end strength, and impacted our ability to obtain sufficient training slots. Further, with recent declines in our School Workday Program, every airman we retain reduces costs and relieves the pressure on an already strained training environment. This enhancement is essential if we are to retain our highly trained, experienced, and skilled mid-term airmen and to sustain our readiness posture for rapid mobilization and deployment. By keeping our experienced personnel, we reduce recruiting and training requirements and continue to build and maintain our technical expertise.

Despite the current operations tempo, I am confident our retention rates will remain high. We have just completed an Air National Guard-wide survey, and the results indicate that at least 82 percent of our people are committed to stay, 7 percent said they will leave, and the remaining 11 percent are unsure. The survey also revealed that quality of life issues—pay, support for the families, and support for and from the employers—are important factors regarding retention, not tempo. This is a good news story because it has the potential to positively impact those members committed to stay and influence those separating or who are unsure, with the proper support. The survey also highlights that the most critical element of retention—quality of life—with the support of this committee, is within our control.

We thank Congress for the many TRICARE initiatives outlined in the fiscal year 2003 NDAA that were designed to improve the quality of service to our beneficiaries. The fiscal year 2003 NDAA extended TRICARE eligibility to Reserve dependents residing in remote locations without their Reserve sponsors.

During the past year the Air National Guard continued to see an increase in Aviator Continuation Pay (ACP) take rates. Currently 508 out of 618 eligible (82 percent), Air National Guard Active Guard Reserve pilots have signed up for the bonus. ACP has accomplished its goal by retaining qualified instructor pilots to train and sustain our combat force—a critical force enabler in today's crisis environment.

The increased emphasis on the Total Force and expanding reliance on the Reserve component necessitates equitable pays for equitable work. Consideration for payment of special and incentive pays for Reserve component personnel, at the same level as their active duty counterparts, should be given to those members who meet the same thresholds of proficiency.

Although the Air National Guard received the majority of all formal training allocations requested for fiscal years 2004–2006, including significant increases in Security Forces, Intelligence Applications, F–16 Crew Chief and Communications, current fiscal year 2003 execution year allocation shortfalls continue in 18 Air Force Specialty Codes. Even with the increased allocations in these and other Air Force Specialties commencing in the fiscal year 2004 execution year, it remains questionable if demand will continue to outpace supply in these or other areas in the future.

We have taken major steps to help offset the training capacity shortfalls the Total Force is seeing during these transformation years. These include the standup of the following graduate level flying training units: KC–135E at McConnell AFB, KS; F–16 units at Kelly Field, TX and Springfield, OH; and the F–15C unit at Klamath Falls, OR, 107th. The Air Control Squadron in Phoenix, AZ has converted to a schoolhouse to train Air National Guard and active duty air weapons controllers. However, the shortfall in the search and rescue aircrew training capacity is a major

constraint today and in the foreseeable future. This shortfall will negatively impact the operational readiness and manning of our operational units. Search and rescue unit readiness should be a top priority for all our forces, especially today during our ongoing fight against terrorism, when there could be a downed aircrew member at any moment. We need to have the resources, parts, and manning available to alleviate these training shortfalls.

The Air National Guard continues to expand Advanced Distributed Learning (ADL) as a prime training vehicle for our members. As a forerunner in this dynamic medium, the satellite-based Air National Guard Warrior Network transports training and information to our members at 203 downlink sites throughout the Nation. The Air National Guard also uplinks training from three production studios in Knoxville, TN; Panama City, FL; and Andrews AFB, MD. In addition to training delivery and production, these studios also serve as full communicative links to the states and territories in times of national and local contingencies. The Andrews studio provided timely updates to the field in support of Operation Noble Eagle. From the Air National Guard Training and Education Center in Knoxville, TN we transported critical information for the F–16 community concerning their new wheel and brake assembly. This training saved over $480,000 in costs associated with travel and time away from maintainer's home stations. We also continue to enjoy good working relations with the Federal Judiciary Training Network, providing the uplink for their training to all the Federal courts. The Air National Guard has joined with the Army National Guard in sharing electronic classrooms and training development in our common communities. These partnerships serve to establish a "Total-Guard" learning network, and are saving millions of dollars by avoiding duplication of training systems and products. Furthermore, the Air National Guard Warrior Network will serve as a valuable asset to homeland security teams, where vast audiences can be connected for timely information or training.

Many National Guard units are developing cooperative agreements with local industry and academia to share development of Advanced Distributed Learning products and reinforce community relations. Project Alert in Nebraska (one such agreement) completed the conversion of 23 training courses to CD–ROM and Web-based training during the past calendar year, and is currently working to convert 28 more courses. These courses not only benefit the National Guard, but are applicable to other Federal agencies as well. The Defense Equal Opportunity Management Institute will receive the lion's share of these courses for use in the upcoming academic year.

We continue to work with the DOD and all the Federal training communities in developing and delivering expedient learning pieces. These cooperative efforts are helping to increase unit and member readiness. The Air National Guard needs to be positioned to compensate learners, to assist with computer acquisition (or accessibility), Internet access, and to convert courses into a deliverable format.

The Air National Guard has continually recognized the importance of family readiness as a vital component of overall mission readiness and personnel retention. There is a strong connection between how well members of the Air National Guard function when called to duty and their level of assurance that their families are being well cared for at home. The mandate of the Family Program is to help families prepare in every way. We have been successful in improving family support because you have given us the necessary resources to fund a full-time contracted family readiness position at each Wing and Combat Readiness Training Center. The post-September 11 changes in operational tempo of the Air National Guard increased the reliance on our members and the subsequent demand being placed on their families.

In order to enhance family support and sustain overall readiness, the Air National Guard Family Program has identified the need to maintain a viable infrastructure and properly staffed family outreach program that promotes physical, emotional, mental, and behavioral health and well-being. While the relationship between the National Guard and their family members is important at all times, it is critically necessary today with increasing mobilizations and deployments. The Air National Guard Family Program must ensure that needed resources are provided during all phases of deployment, from preparation, through separation, and reunion. In order to continue to promote overall family readiness and subsequently improve military readiness and retention, the Air National Guard Family Program needs sustained resources to provide outreach directly to family members and maintain a support structure for the Wing Family Program Coordinators and Combat Readiness Training Center personnel.

The Air National Guard could not function without the support of our Nation's employers. With the increased utilization of Reserve component personnel, employers are being impacted more than ever. As a result, DOD programs such as the Employer Support of the Guard and Reserve are key to our efforts in gaining and main-

taining the support of our civilian employers. Employer Support of the Guard and Reserve helps civilian employers manage their Guard and Reserve employees by providing information, rewarding them for their sacrifices, and if necessary, resolving disputes. We appreciate your continued support of these important programs.

Outside of our collective efforts to preserve the delicate synergy of the member, family, and employer, the Air National Guard needs assistance with separation and transition benefits. With the expiration of force management transformation authorities in December 2001, the Air National Guard lacks the force shaping tools to effectively address skill rebalancing and its effect on the current personnel assigned. A prime example of this is the 116th Air Control Wing, at Robins AFB, Georgia. In addition to being the only Joint Surveillance Target Attack Radar System unit, the 116th is the only blended active duty Air Force and Air National Guard wing in the Total Force. The flexibility to re-balance workforce skills, due to mission changes, unit conversions, as well as programmatic and/or operational reductions in specific skills, presents the need to execute these authorities.

We look to the future and wonder what more may be asked of our brilliant women and men. Our proven track record of rising to every challenge and answering every call is the bedrock of our organization. We are busier than ever, and we most certainly need ample tools and resources to perform our mission. We are confident that working with you we will remain a premier military organization, serving in communities throughout this great land, protecting America at home and around the world.

Senator CHAMBLISS. Thank you very much, gentlemen.

To both of your sergeants major, thank you all very much for being here and for the great work you all do for our country. We know that, just like with the Active Force, you're the heart and soul of the Guard and Reserve and we thank you for your service to our country.

Gentlemen, I'll have to tell you, I was in Bosnia a couple of years ago when the Georgia National Guard was over there doing their tour of duty. I have been to Guantanamo several times. We have several Guard units on active duty down there from all over the country. Obviously I was particularly interested in what was happening with our Georgia folks. Morale has always been high. They do a great job. They are there to do a job which they know they hired on to do, and you're doing a great job in preparing those young men and women to serve their country when they are called on.

General Schultz, Congress has taken the initiative in the last 3 years to provide the funding and authorization for additional full-time support personnel, both officer and enlisted, in the Army National Guard and Reserve units. Consistent with an agreed-on plan within the Army, this additional manpower is intended to improve the readiness of National Guard and Reserve units. How are these additional full-time support personnel being used? How do they contribute to unit readiness?

General SCHULTZ. Mr. Chairman, the voucher that I signed instructing the Adjutant General on how to distribute these new full-time support soldiers authorized basically says this: The priority for assigning these soldiers is to deploying units. So I'm coaching an adjutant general to put the soldiers in the right places, I'm following the intent of what I believe Congress has stated to me, and that is, "Put the soldiers in the field." Our instructions in the manpower vouchers I send to States say just exactly that.

Senator CHAMBLISS. General James, back in January or February 2001, we had an order that came from the Pentagon to move the B–1s out of the 116th Wing at Robins. You heard my comments, I hope, earlier about the integration of the Guard and the

active force on JSTARS. From what I see on the ground, that is working extremely well. Would you give me the Guard perspective on how you think that particular integration is working?

General JAMES. Certainly. I agree that it is working very well, especially since it is a landmark initiative. This is the first time that the Air National Guard and the active component have combined in what we call the "blended unit," as you described it earlier, and it has been successful. We've had to coordinate a number of different issues because it is the first time, but, in fact, I find the morale was very high when I visited. I had a town-hall meeting with them. Both the active and the Guard folks are getting used to working together. They've had different working routines before; the Guard, of course, being predominantly a traditional part-time force. But the active part of the Guard's force and the active component are working very well to solve any challenges that come up.

There is one issue that remains on the table, and I think you're familiar with that, and that is the ability of a Guard commander placed in command of an active-duty airman to be able to give lawful orders and hold that active-duty airman accountable under the UCMJ. If he goes on Title 10, he can do that. Once he goes into Title 10 status, however, then he loses his ability to do the same thing under Title 32 status, which many of his Guard airmen are operating under. That still needs to be addressed, and it will take some change in law, in the statute.

However, the other issues that we look at on a daily basis, the funding, who the airplanes will belong to, contract and logistical maintenance, and all those issues we're working with and we solve them just one at a time as they come up. It is a success story, and the Secretary is fully committed to that continuing to be successful and maybe be a blueprint for the future for some of the other organizations we're going to have to look at combining in the future.

Senator CHAMBLISS. I think, without question, it will be, and we are working that issue on making sure that the power for command and control is there.

General Rees, successful recruiting for your service I know is a key responsibility, and it's a mission you can't be complacent about. With a downsized Active-Duty Force, Stop Loss, and a demanding operations tempo, this challenge is only getting harder for you all as well as for the Active Force. What are your biggest concerns about your ability to successfully recruit qualified personnel? Tell us some of your plans for advertising that you have.

General REES. Mr. Chairman, we have a very vigorous program out there, and I'm going to have to defer to both of the directors here to get into the details of this. But we are continuing to be very sensitive to what is termed "the propensity for enlisting, propensity for service." We're doing a lot of market research. We are working hard to make sure that the story of the Guard is out there and in front of everyone as to what the benefits are for service in the Guard.

Certainly with current world events, we are getting a lot of additional help from the media. I think there is, despite some of the stories of hardships, also a lot of stories here that have to do with patriotism and pride in service.

As far as the specific issues about advertising, let me turn to General Schultz.

Senator CHAMBLISS. Sure.

General SCHULTZ. Mr. Chairman, we depend on a good relationship with State broadcasting associations, I mean, that's the team that really holds together our advertising account across the Nation, so our return on the investment is time and again beyond what we invest in those accounts across the country. So we have an agreement of sorts that they look after the Guard image, the Guard marketing, for a whole lot more value than we currently send them, in terms of an investment. That's how the advertising works, and it's a success story, to be sure.

Mr. Chairman, today the Army Guard is short of our programmed end strength. Not a crisis, but I want you to know I am concerned. We have assembled all the recruiters across the Guard today in a single meeting, and we're talking now about making certain here that we're focused toward our target of 350,000 members. I'm short 2,800 members against our program strength.

A couple of points I think have caused that condition. One, we spend a certain amount of time getting units ready on very short mobilization. Some of our recruiters helped us do that. Some of our recruiters also helped with one of the tasks in their job description, that is looking after families. So in this process, we lost focus on production.

So if you look at the Army Guard strength today, our retention really is at or near the target or the program figures; production is where we need to dial the attention, and we will meet our 30 September target of 350,000 soldiers. Without a doubt, we'll do it. But it requires States' attention, adjutant generals, and others to help get there.

General REES. Mr. Chairman, there is also, I think, an advertising issue in the Air National Guard of significance here. Several years ago, the Air Guard did not advertise at all, but they've done a magnificent job, and I think there's some additional information here from General James.

General JAMES. Thank you, just very briefly, we have been very fortunate to make our end strength. As a matter of fact, we're over end strength right now. I would like to say that it's all due to the recruiting and retention efforts of all our commanders and our recruiting force. But there are a couple of other factors that impact that, of course—the Stop Loss that the Air Force put in place, and, of course, a somewhat weaker economy than many people would like to see.

However, we were very fortunate, in a way, in that we could make our end strength and make our recruiting goals. As a matter of fact, we've not missed our recruiting in 5 of the last 6 years. We see a need to, as I said, focus on the midterm airmen from the 6- to 12-year group.

Before, we did public service announcements and those kinds of things and, because of plus-ups, generally from Congress and sometimes additional funds made available to us from the active component, we have decided to do some more advertising. We have purchased national radio spots for 8 weeks, 2 per week, and we've purchased paid ads in all of our base papers and so forth. We have

looked at using the same advertisement that the Air Force uses and purchasing nationwide paid TV advertising of $8.7 million and increasing the purchased nationwide paid radio advertising of up to $5 million.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

Now, you all heard my question earlier about the combining of the Active and Reserve pay accounts into a single appropriation with separate budget activities, and the concern that I raised is more specifically directed to you. Was the National Guard Bureau given a meaningful opportunity to provide input on this policy change?

General REES. Senator Nelson, in this particular instance, we found out about this particular change after the fact, and we were not part of the process.

Senator BEN NELSON. Then let me ask it this way. Would the concern that I raised regarding the ability of the Guard to be able to deal with local matters—in emergencies as part of the responsibilities of the adjutant general to deal with local issues, would those activities be adversely affected?

General REES. Senator Nelson, if they were dealt with as State active duty, clearly those would be done with State funds out of State general treasury and would not be impacted by this.

Senator BEN NELSON. There are some funds at the Federal level that assist the States with some of those obligations so that some are shared liability, if you will, shared responsibility. What about that? Or do you know?

General REES. The best way that I think I can answer this, Senator, is that in the past I think we have had a successful relationship with the States in dealing with the fiscal issues that have come up and particularly meeting all of our readiness requirements. We have a system we believe works.

Senator BEN NELSON. Then dealing strictly with the Federal level, without regard to State funds or State requirements with respect to emergencies, but at the Federal level, if this proposal were in effect today, can you determine who would stand to gain? Would it be the National Guard or the active component?

General REES. Senator, I don't believe I could even speculate on that. We're in a situation where it has been described as creating more flexibility, and that would appear, from the larger DOD perspective, to deliver more flexibility.

Senator BEN NELSON. I'm all in favor of flexibility; I just always want to know what consequences flow from flexibility. You've answered my question. I understand. I won't put the other two of you through the agony. Thank you very much, General Rees. [Laughter.]

That takes care of my questions, Mr. Chairman.

Senator CHAMBLISS. All right. Gentlemen, we will put your full statement in the record. We thank you very much for being here. Thank you for your service to our country.

General REES. Thank you.

Senator CHAMBLISS. Our next panel consists of Lieutenant General James Helmly, Chief of the Army Reserve; Vice Admiral John B. Totushek, Chief, Naval Reserve; Lieutenant General Dennis M.

McCarthy, Commander, Marine Forces Reserve; and Major General John J. Batbie, Vice Chief of the Air Force Reserve.

Gentlemen, thank you for being here. We welcome these representatives of our Reserve components.

Before I introduce, once again, these gentlemen that are appearing on this panel, let me just say, General Batbie, that I just learned about General Sherrard's health problems yesterday, and I'm sorry Jimmy couldn't be with us today. Please, when you get back, let him know that he's in our thoughts and our prayers and we wish him a very speedy recovery. I understand he's up and about some, but we will sure keep him in our prayers.

I promise you that it will not be held against you that you're a close friend of Congressman Steven Buyer. I will not let that enter into our thought process here. [Laughter.]

Gentlemen, we are glad to have you here today. We look forward to your statements and your answering questions.

General Helmly, we'll start with you.

STATEMENT OF LT. GEN. JAMES R. HELMLY, USAR, CHIEF, ARMY RESERVE; ACCOMPANIED BY COMMAND SERGEANT MICHELLE JONES, ARMY RESERVE

General HELMLY. Thank you, Mr. Chairman.

Mr. Chairman, Senator Nelson, members of this distinguished subcommittee, thank you for the opportunity and the privilege and, indeed, the honor to testify on behalf of the soldiers, civilian employees, and family members of the United States Army Reserve.

I previously submitted a written statement, and I would respectfully request that that be entered into the record.

Senator CHAMBLISS. Certainly.

General HELMLY. I'm accompanied today by Command Sergeant Michelle Jones, the other half of the command team for the United States Army Reserve. She represents our enlisted soldiers. I'll be happy to take your questions at the end of my opening statement.

Currently, over 69,000 Army Reserve soldiers are mobilized serving courageously, skillfully, and proudly around the world. These modern-day patriots willingly answered the call to duty as part of a responsive and relevant force, the world's greatest ground combat force, the United States Army.

This committee, through its dedicated support to the men and women in the Army Reserve, has played a major role in maintaining the relevance and strengthening the readiness of the Army Reserve. Your concern for our people, our most precious resource, who dedicate a significant part of their life to defending our Nation, in addition to honoring commitments to employers and families, is appreciated and highly respected. Thank you for that.

Historically, our Nation and its military have placed a heavy reliance on its Reserve components as a force in Reserve. During the Cold War, the Army Reserve as well as the Army's active component and, indeed, the components of the other armed services, was not used as heavily as we have experienced in the last decade.

In Operations Desert Shield/Desert Storm, the Army Reserve was mobilized heavily—84,000 soldiers answered the call to duty and performed with distinction and then demobilized and returned

home. The success of that operation, to include the use of the Nation's Reserve components, became a much forgotten issue.

Now, however, the Army Reserve has been in a continuous state of mobilization since December 1995. Since 1996, the average number of Army Reserve soldiers mobilized has exceeded 9,200 per annum. Our soldiers are part of the rotational forces keeping the peace in Eastern Europe by providing ongoing capabilities in Bosnia and Kosovo. It was not a noticeable challenge to mobilize for Bosnia and Kosovo, because the requirement was predictable, small in number, and stable. While the process we used was not perfect, we were able to accomplish our mission of providing trained units and qualified persons without stress.

On September 11, the changing security environment that existed in the remainder of the world came rapidly home. The very nature of this war—long duration, fluid, and volatile—dictates that major changes are required to practices, procedures, and policies related to how we organize, man, train, mobilize, and use our Army Reserve. We are discovering that the processes and policies in place were designed for a very different time and a very different type of war than we are engaged in today. As a result, we have been challenged.

Further, many have questioned our ability to respond early in a contingency operation, to sustain mobilization, and still continue to attract and retain quality young men and women such as the ones who populate our force today.

There is an ongoing debate concerning the wisdom of reliance on the Nation's Reserve components for operations of a smaller scale and early reliance on the Reserve in the opening phases of a larger-scale contingency operation. Today, 33 percent of your Army Reserve strength is mobilized, but raw troop-strength numbers are not an accurate indication. There are pockets within that force of much greater stress. The Army Reserve has been able to meet the challenges to date, but clearly our structure requires change to meet the demands for capabilities that the Army Reserve excels in. We will do this.

While changing industrial age mobilization and personnel assignment policies is necessary, restructuring our force so that we can implement predictable and sustainable rotations based upon depth and capability is also necessary. We acknowledge that there is no time out from war or preparation from war to make these changes. Confronting these dual challenges, transforming while at war, is a very necessity given the gravity of the world situation as it exists today.

The accepted sacrifice of our people demonstrated by their willingness to serve the Nation when asked to do so deserves our courage to make rotation policies more predictable, to restructure our force, and to change and refine our mobilization, training, and compensation policies and processes. The Army Reserve is engaged in developing plans to attack each of these issues.

Thank you again for the opportunity to appear before you today. I look forward to answering any questions that you have.

[The prepared statement of General Helmly follows:]

PREPARED STATEMENT BY LT. GEN. JAMES R. HELMLY, USAR

INTRODUCTION

Mr. Chairman, members of this distinguished subcommittee, thank you for the opportunity and the privilege to testify on behalf of the 205,000 soldiers; 11,150 civilian employees, both Department of the Army Civilians and Military Technicians; and all of their family members in the United States Army Reserve.

Currently, over 61,000 Army Reserve soldiers are mobilized in America's global war on terrorism, serving courageously and proudly around the world. These modern day patriots have willingly answered the call to duty to perform the missions they have trained for and to honor their commitment as part of a responsive and relevant force, an indispensable component of the world's finest ground force, the United States Army.

This committee, through its dedicated support of the men and women in the Army Reserve, has played a major part in maintaining the relevance and strengthening the readiness of the Army Reserve. Your concern for the Reserve soldier and employee who dedicates a significant part of his or her life to defending our Nation, in addition to honoring commitments to employers and families, is evidenced by your invitation to review the present state of the United States Army Reserve. I am honored by that opportunity.

The occasion to testify before this subcommittee comes at a time of profound importance and immense change in our Nation's history, as well as an immense challenge in the international security environment. We are engaged with a wily, determined enemy, intent on destroying our very way of life; confronting regional powers and potential use of weapons of mass destruction at home and abroad; and struggling with the challenges of how to secure our homeland while preserving our precious rights and freedoms. It is within this very challenging environment that the Army Reserve serves with excellence today. Excelling in current missions is not sufficient by itself. It is necessary that we concurrently confront today's challenges while preparing for tomorrow's. The Army must maintain its non-negotiable contract to fight and win the Nation's wars as we concurrently transform to become more strategically responsive and dominant at every point on the spectrum of military operations. The concurrence of these dual challenges, transformation while fighting, winning, and preparing for other wars, is the crux of our challenge today—transforming while at war.

This is my first opportunity to address this subcommittee as the Chief, Army Reserve. I am humbled and sobered by the responsibility bestowed to me. The Army Reserve is an organization that demonstrates its ability to be a full and equal partner, along with the active component of the Army and the Army National Guard, in being the most responsive dominant ground force the world has seen.

The strength and goodness we bring to that partnership is drawn from unique characteristics within the Army Reserve. The Army Reserve is the most ethnically and gender diverse force of all the armed services. Overall, 92 percent of our force holds high school diplomas. Our force consists of individuals who are community and industry leaders, highly trained and educated professionals, experts in their chosen field who give of their time and expertise to serve our Nation. As good as our people are, we are not without serious challenges.

The Army Reserve has been in a continuous state of mobilization since December 1995. Prior to that, our contribution to Operations Desert Shield/Desert Storm numbered over 84,000 soldiers. The Army Reserve also mobilized over 2,000 soldiers in support of Operation Uphold Democracy in Haiti. Since 1996, the average number of soldiers mobilized has been 9,265 soldiers per year. Our soldiers are part of the rotational forces that are keeping the peace in Eastern Europe. Military police, medical, and public affairs soldiers provide ongoing capabilities in Operation Joint Endeavor and Operation Joint Guardian in Bosnia and Kosovo.

The attacks of September 11 intensified the pace of operations. Within hours of those attacks, the Army Reserve alerted and mobilized a mortuary affairs company from Puerto Rico—a company that 10 years earlier performed its mission with distinction in Operations Desert Shield/Desert Storm—to deploy to the Pentagon to assist with searching and recovering the remains of the victims of the attack. They proved to be so invaluable to the recovery efforts that they did not return to their homes until September 2002, after cataloging not only all of the personal effects of the dead but items from the Pentagon as well.

In downtown Manhattan, Army Reserve soldiers were also assisting with the recovery efforts after the attack on the World Trade Center. Emergency Preparedness Liaison Officers were on site shortly after the attack to assist with rescue and later,

recovery efforts. Army Reserve units provided equipment, Army Reserve center space, and other logistical support throughout the days and months that followed.

This global war on terrorism is unique for Americans because its battlefronts include not only far-off places like Afghanistan and the Philippines but our own homeland. What was once a "force in Reserve" has become a full partner across the spectrum of operations to satisfy the demand and need for Army Reserve soldiers and units around the world. Wherever the Army committed forces in the world—Afghanistan, Uzbekistan, Pakistan, the Philippines, Kuwait, and anywhere else—Army reservists are an integral part, providing critical support, force protection, and augmentation.

In the time that has followed those days, our military has been engaged in fighting the global war on terrorism around the world. Operation Anaconda in Afghanistan seriously impaired Al Qaeda's ability to continue to spread terror and ousted the Taliban. While it would have been easy for the Nation to walk away after ousting the Taliban, it chose to stay and help the nation rebuild itself. Civil Affairs units consisting of Army Reserve soldiers who possess civilian acquired and sustained skills in the fields of engineering, city planning, and education were deployed to the region to assist in these efforts. Numerous new schools were built and medical aid offered to the Afghanistan people. These soldiers represent the goodwill of the American people with every ailment they cure, every classroom they build, and every contact they make with the native population. They are doing an incredible job.

Currently, over 61,000 Army Reserve soldiers and more than 500 units have been mobilized and are serving on active duty in support of both Operation Noble Eagle, the mission to defend the homeland and recover from the terrorist attacks, and Operation Enduring Freedom, the mission of taking the war to the terrorists. The depth of the current mobilization reflects a higher percentage of the force since Operations Desert Shield/Desert Storm and still our soldiers are raising their hands to re-enlist in the Army Reserve, making our enlisted troop retention rates the best they have been since 1992.

Clearly our priorities have changed. We must and will win the war on terrorism. But the nature of this very war dictates that major changes are required to practices, procedures, and policies relating to use of our force. We are discovering that the processes and policies in place were designed for a different time and a different type of war than we are engaged in today. As a result, we have been challenged about our ability to respond early in a contingency operation, sustaining continuous mobilization and continually attracting quality young men and women such as the ones we currently have with the knowledge that almost for certain, they will be mobilized at some point in their service.

The Army Reserve is currently reviewing mobilization processes that no longer match the realities we face. We are restructuring how we train and grow leaders within the Army Reserve by establishing a Trainee, Transient, Holdee, and Student (TTHS) Account, much like the active Army, to manage our force more effectively. We are addressing the continuum of service concept that would allow ease of movement between Army components as dictated not only by the needs of the Army but also by what is best for the soldier developmentally and educationally.

Civilian Acquired Skills

Our Civil Affairs units are filled with soldiers that possess skills acquired in their civilian occupations or as we refer to them, civilian acquired skills. Civil Affairs units perform such functions as public works administrators, power plant operators, and public health specialists. Their expertise and experience is gleaned from their civilian occupations then willingly used when these professionals are called to perform their military duties. The very citizens that keep our cities lit and our water potable volunteer to do the same, as soldiers, when mobilized.

In the Army, 96 percent of all Civil Affairs units are in the Army Reserve. This force is designed to take advantage of civilian skills that would be difficult to train and sustain in the active component. Civil Affairs units are perfect examples of how the Reserve component creates a link to the American People for the Army. Civil Affairs is but one example of a central premise that the Army Reserve has capabilities that draw from the civilian experience of our soldiers. This concept is a cost effective way for the Army to maintain skills needed for a variety of missions extending from humanitarian and peacekeeping missions to homeland security to wartime operations. It makes good business sense to employ soldiers in Army Reserve Civil Affairs units with Doctorate Degrees in Curriculum Development to assist countries in rebuilding educational systems within a country in order to use highly skilled soldiers when needed. Employing the civilian acquired skills of our citizen

soldiers is a cost effective way to accomplish support, humanitarian, and peacekeeping missions.

MOBILIZATION ISSUES

The Nation's existing mobilization process is designed to support the linear, gradual build-up of trained forces, equipment, and expansion of the industrial base over time. It follows a construct of war plans for various threat-based scenarios. It was designed for a world that no longer exists. In actuality today, our current multiple, limited scale mobilization and new vision for agile, swift, and decisive combat power, forward presence, and smaller scale contingency operations, demand a fundamentally different approach to the design, use, and rotation of the Army Reserve. Rather than a force in Reserve it has become and serves more as a force of both individuals and unique building blocks for teams and units of capabilities all essential to force generation and sustainment. The authority, administration, and notification to employ these forces must be streamlined, flexible, and responsive to the Army's needs yet support the soldier, family, and employer.

As I stated before, the Army Reserve has been in a continuous state of mobilization since December 1995. Rotations in Bosnia and Kosovo, participation in East Timor and since September 11, 2001, mobilizations and deployments as part of Operations Noble Eagle and Enduring Freedom have all become part of what it means to serve in the Army Reserve. These recurring deployments have given our units a great deal of experience in being able to mobilize quickly and effectively.

There is an ongoing debate concerning the wisdom of reliance on the Nation's Reserve components both for operations of a smaller scale nature, such as the Balkans rotations and early reliance in the opening phases of a contingency operation. As of March 5, 2003, only 30 percent of the Army Reserve troop strength is currently mobilized. But raw troop strength numbers are not an accurate indication. Often Army Reserve capabilities in Civil Affairs and Medical support are cited as examples of over reliance on the Reserve components. There are specific types of units that have been used more than others. The demand for certain type units to meet the mission requirements of the global war on terrorism is higher in some more than others. Military Police, Civil Affairs, Military Intelligence, Transportation, and Biological Detection and Surveillance capabilities are the highest in utilization. As an example, the Biological Detection and Surveillance units consist of one active component unit and one Army Reserve unit. The Army Reserve unit has mobilized five times since 1997 and is currently in their second year of mobilization. A second Army Reserve unit will be organized in September 2003 and there are future plans for additional units in both the Army Reserve and the active component. This is just one example of a high demand, low density unit. Currently, 313 Standard Requirements Codes (types of units) are exclusively in the Army Reserve. The Army Reserve has been able to meet the challenges to date with this structure but clearly the structure requires changing to meet the continuing demand of these capabilities—we will do this.

Transformation

The Army Reserve has been transforming its force since 1993 when it reorganized to produce a smaller, more efficient infrastructure. Our overall strength was reduced by 114,000 soldiers, or 36 percent, leaving us with 205,000 soldiers today. In our transformation from a Legacy Force Army Reserve (or a Cold War Force) to an Interim Force, we are poised to put changes in place that will keep us moving on the path of transformation to the Objective Force. In the 1990s, we cut the number of our Army Reserve commands by more than half and re-invested that structure into capabilities such as medical and garrison support units as well as Joint Reserve Units. We reduced the number of our training formations by 41 percent and streamlined our training divisions to better meet the needs of the Army and its soldiers. Our transformation journey actually began 10 years ago and is accelerating today.

The response to the September 11 attacks in the form of the global war on terrorism has exposed our mobilization process as one that is more suited for yesterday's requirements and war in a different time. The luxury of time when mobilizing for Operations Desert Shield/Desert Storm does not exist for current operations. The relatively slow build-up of forces over a 5-month period for the 1991 liberation of Kuwait is a thing of the past. The mass over time concept no longer applies. Instead, in its place, is a new standard of mobilizing that is slowed and restricted by processes and policies that have not changed with the rest of our force. In order for the Army Reserve to provide campaign quality units, we must change our mobilization processes.

Changing the way we mobilize starts with changing the way we prepare for mobilization. The current process is to alert a unit for mobilization, conduct the adminis-

trative readiness portion at home station, and then send the unit to the mobilization station to train for deployment. This process, mobilize-train-deploy, while successful in Operations Desert Shield/Desert Storm, today inhibits responsiveness. By changing to train, mobilize, and deploy, we will reduce the time needed to bring a unit to a campaign quality level needed for operations.

The Army Reserve is the Nation's repository of experience, expertise, and vision regarding soldier and unit mobilization. We do have forces capable of mobilizing in 24 hours and moving to the mobilization station within 48 hours, as we did in response to September 11. This demonstration of quick and precise mobilization ability will become institutionalized in the processes and systems of the future and give our forces the ability to mobilize as rapidly as possible. We will overcome challenges posed by units manned with untrained soldiers through initiatives that strengthen soldier readiness and leader development.

One such initiative is the creation of an individuals account: Transient, Trainee, Holdee and Student (TTHS). The TTHS account will enable our units to be ready before they are mobilized. The intent is for the TTHS account to be the management tool to account for all officers, enlisted, and warrant officers in resident training (over 139 days), currently in troop program units (TPU) but unqualified, or in transition to fill Selected Reserve (SELRES) authorized positions. The concept of training soldiers without impacting end strength authorization or unit readiness is the standard in the active component. Our soldiers need to be Military Occupational Specialty Qualified (MOSQ) before occupying an authorized space. Our junior leaders require dedicated time to develop leadership skills and we can no longer afford to do this in an environment constrained by current practices of balancing untrained soldiers and leaders against unit readiness.

The Army Reserve will reduce over-structure and provide for a TTHS/Individuals Account within the current Selected Reserve end strength. Members of the Selected Reserve who are not qualified for duty in a unit, or who are enrolled in professional development education courses, or might in a few cases be non-ready due to temporary medical holds, transition, or similar statuses will be assigned to the Individuals Account. This will increase the readiness of the Army Reserve, and the TTHS account will give a true picture of military readiness and manpower by using the same methods as the active Army.

While changing industrial age mobilization and personnel assignment policies is necessary, restricting our force so that we can implement predictable and sustainable rotation based upon depth in capabilities is also necessary. Predictable and sustainable utilization is a key factor for campaign quality support. One of the goals of transforming our force is to change policies that are harmful to soldiers and families. Predictable rotation schedules will allow the Army Reserve to continue to be a valued source for small contingency conflicts and follow-on operations. It will provide our units with operational experience; provide deployment relief for the active Army; impart a sense of predictability for our soldiers, and evens out the work load across the force. We must begin now to implement new strategies in building a force with rotational capabilities.

This current period of mobilization has had some challenges of calling on soldiers to mobilize on short notice, on rare occasions with less than 24 hours notice. A rotational strategy for operations and force planning policy would begin to overcome this challenge. For the short term, I have set in place a policy for the Army Reserve that no one moves with less than 5 days notice. This is basic soldiering—taking care of your people. Despite all of the challenges faced by our force during this mobilization period, everyone called to duty has shown up, ready to honor their commitment to our Nation. That is what the Army Reserve is—great people bending over backwards to serve their country.

RECRUITING AND RETENTION

Recruiting and retention is an area of the highest importance to the Army Reserve and a volunteer force. Our responsibilites require the best soldiers America can provide. In this regard, we are most appreciative of the help your subcommittee has provided us. We would be remiss if we did not thank you for the attention you have paid to our recruiting needs in recent legislation. With your help we have met our recruiting mission for 3 straight years from 2000 to 2002. In fiscal year 2003, however, we are 213 accessions short of expected year-to-date mission. While cause for concern, I am not alarmed over this.

Although generally successful in overall mission numbers, we continue to experience difficulty in attracting and retaining qualified individuals in certain critical wartime specialties, particularly within the Army Medical Department. Your continued support on behalf of recruiting and retention incentives, allowing for innovative

readiness training, and the funding of continuing health and educational opportunities will help us with this difficult task.

The Army Reserve, in partnership with the United States Army Accessions Command (USAAC), conducted a thorough review of Army Reserve recruiting. This review has helped us forge a stronger relationship with the Accessions Command and has streamlined our processes to support the symbiotic relationship between recruiting and retention. To that end, we will seek to ensure that all Army Reserve soldiers are involved in recruiting and retention activities—we all are a part of the Army's accessions efforts. We are removing mission distracters allowing the Accessions Command to focus on their core competency of recruiting non-prior service applicants; we are focusing on life cycle personnel management for all categories of Army Reserve soldiers and our retention program seeks to reduce attrition, thereby improving readiness and reducing recruiting missions.

During 2003, the responsibility for the entire prior service mission will transfer from the Accessions Command to the Army Reserve. Tenets of this transfer include: establishment of career crosswalk opportunities between recruiters and retention transition NCOs; localized recruiting, retention, and transition support at Army Reserve units, and increased commander awareness and involvement in recruiting and retention efforts.

To support recruiting and retention, the Army Reserve relies on non-prior service and prior service enlistment bonuses, the Montgomery GI Bill (MGIB) Kicker, and the Student Loan Repayment Program in combinations that attract soldiers to fill critical MOS and priority unit shortages. The Army Reserve must be able to provide a variety of enlistment and retention incentives, for both officer and enlisted personnel, in order to attract and retain quality soldiers. Fully funded incentive programs must be made available to ensure success in attaining recruiting goals and maintaining critical shortages and skills.

Our retention program is a success. Faced with an enlisted attrition rate of 37.5 percent at the end of fiscal year 1997, we adopted a corporate approach to retaining quality soldiers. Retention management was an internal staff responsibility before fiscal year 1998. In a mostly mechanical approach to personnel management, strength managers simply calculated gains and losses and maintained volumes of statistical data. Unfortunately, this approach did nothing to focus commanders on their responsibility of retaining their most precious resource—our soldiers.

The Army Reserve developed the Commander's Retention Program to correct this shortcoming. A crucial tenet of this program places responsibility and accountability for retention with commanders at every level of the organization. Commanders now have a direct mission to retain their soldiers and must develop annual retention plans. Additionally, first line leaders must ensure all soldiers are sponsored, receive delivery on promises made to them, and are provided quality training. In this way, the Commander's Retention Program ensures accountability because it establishes methods and standards and provides a means to measure and evaluate every commander's performance. Since the introduction of the Commander's Retention Program, the Army Reserve has reduced enlisted Troop Program Unit attrition by nearly 9 percentage points. The enlisted attrition rate in fiscal year 2002 was 27 percent. Current projection for fiscal year 2003 with an increase of 28.6 percent, due to demobilization, and a program to reduce the burden of non-participants and increased retirements.

The Army Reserve is experiencing a 4,200 company grade officer shortfall. Retention goals focus commanders and first line leaders on junior officers. The establishment of a sound leader development program is a cornerstone of Army Reserve transformation. Providing young leaders the opportunity for school training and practiced leadership will retain these officers. A transformed assignment policy will enhance promotion and leader development. Increased Army Reserve involvement in transitioning officers from active duty directly into Army Reserve units will keep young officers interested in continuing their Army career. Allowing them managed flexibility during their transition to civilian life will be a win for the Army.

Overall, the Army Reserve successfully accomplished the fiscal year 2002 recruiting mission while achieving the Department of the Army and Department of Defense quality marks. This year our enlisted recruiting mission will stabilize at approximately 20,000 non-prior service due to the success of our retention efforts. The accomplishment of the recruiting mission will demand a large investment in time on the part of our commanders, our retention NCOs, and our recruiters as they are personally involved in attracting the young people in their communities to their units.

However, the same environmental pressures that make non-prior service recruiting and retention difficult affect prior service accessions. With the defense drawdown we have seen a corresponding decrease in the available prior service market

in the IRR. This impacts Army training costs, due to the increased reliance on the non-prior service market, and an overall loss of knowledge and experience when soldiers are not transitioned to the Army Reserve. Consequently, the Army Reserve's future ability to recruit and retain quality soldiers will continue to be critically dependent on maintaining competitive compensation and benefits.

Special attention needs to be placed on the recruiting budget, for advertising, to meet our requirements in the next several years. Young people of today need to be made aware of the unique opportunities available in the different military components. The best way to get this message out is to advertise through the mass media. Funding our critical advertising needs is imperative if we are to be honestly expected to meet our recruiting goals. Your continued support of our efforts to recruit and retain quality soldiers is essential if we are to be successful.

INDIVIDUAL AUGMENTEE PROGRAM

Under the current Army posture, there is a growing need to establish a capability-based pool of individuals across a range of specialties who are readily available, organized, and trained for mobilization and deployment as individual augmentees. In spite of numerous force structure initiatives designed to man early deploying active Army and Reserve component units at the highest possible levels, a requirement remains for individual fillers for contingencies, operations, and exercises. Therefore, I have authorized the establishment of an Individual Augmentee Program within the Selected Reserve to meet these needs.

The purpose of the Individual Augmentee Program is to meet real-world combatant commander requirements as validated in the Worldwide Individual Augmentation System (WIAS). Additionally, this program will preclude the deployment of individual capabilities from active or Reserve component units adversely impacting their readiness, cohesion, and future employment possibilities. It will allow soldiers to participate at several levels of commitment and supports the Office of the Secretary of Defense proposal for a continuum of service.

Continuum of service offers the Army flexibility in accessing and managing personnel. Soldiers can serve through a lifetime in different ways from active duty to troop program unit to individual augmentee to retiree. The ability to move seamlessly through components and statuses can only benefit the Army and the soldier. Matching the right soldier in the right status at the right time makes sense. The Army Reserve will lead the way in making a reality of the phrase "Once a Soldier, Always a Soldier".

Our initiatives concerning the management of individuals in the Army Reserve are the catalyst of Army Reserve transformation—the Federal Reserve Restructuring Initiative (FRRI). We developed these programs to meet the FRRI objectives: add operational depth to the Army through unit readiness and relevance, sustain mobilization to execute the global war on terrorism, relieve Army operational tempo through rotational force initiatives, and transform the Army Reserve to the Objective Force. The Chief of Staff, Army has stated that what will really transform the Army will be people. Our Army Reserve transformation plan will directly impact our ability to recruit, train, sustain, and deploy a ready and capable Federal Reserve Force. Your awareness of and congressional support of our efforts is invaluable.

Summary

In our current military environment, the Army Reserve has many challenges that we accept without hesitation. These challenges are imbedded the current wisdom of early reliance on the Reserve component in early contingency operations and the wisdom of the use of the Reserve components in scheduled operational rotations such as Bosnia and Kosovo. Historically our Nation has placed great reliance on the Reserve components of soldiers, sailors, airmen, and marines, to expand the Armed Forces for operations during time of war. The nature of warfare has changed drastically and we must also change. This global war on terrorism, as our President has described, is a long-term campaign of inestimable duration, fought in many different places around the planet. The issues we have brought to you today—changing how we recruit, prepare, maintain, and resource our force recognizes the Commander in Chief's intent, to prepare for future wars of unknown duration in places we have yet to fight.

We are grateful to Congress and the Nation for supporting the Army Reserve and our most valuable resource, our soldiers—the sons and daughters of America.

I cannot adequately express how proud I am of our soldiers. They are in the hearts and prayers of a grateful Nation and will continue to stay there until we finish the job at hand.

Thank you.

Senator CHAMBLISS. Thank you, General.

Admiral.

STATEMENT OF VICE ADM. JOHN B. TOTUSHEK, USNR, CHIEF, NAVAL RESERVE

Admiral TOTUSHEK. Thank you, Mr. Chairman, Senator Nelson.

It's also a real pleasure for me also to be here today to talk to you just for a few minutes about the Naval Reserve Force. I, too, have submitted a written statement and I'd like that put in the record.

I would like to, instead of my usual summary of the accomplishments and the challenges that the Naval Reserve has had over the last few years, just talk to you about three myths that I think are out there. I think they apply to all the Reserve components.

The first myth that's becoming popular around town is the idea that we're overused. The Naval Reserve Force, like the Army Reserve and the rest of the components, has been tasked over the last few years, but I would tell you that the opposite is true. The people that are being used are happy being used. They feel like they're contributing to the country, and they know that what they're doing is important.

My attrition in the Naval Reserve Force runs around 28 percent at the present time. For the people that have been mobilized, attrition is less than half of that. So I think that data backs up the statement that the people are proud of what they're doing, and they feel that they're doing something important when they're serving the country, even if they're asked to do it once or twice in their lifetime.

The second myth is that we should not put 100 percent of any capability in any one of the components. In the Naval Reserve, I think we have the poster child for a successful program that we've been able to provide Navy 100 percent of the capability, and that's our logistics airlift. Our airplanes provide inter-theater airlift for a commander that is in a theater such as CINCUSNAVEUR or our NAVCENT folks. All those airplanes are flown by naval reservists, they're all owned by the Naval Reserve. Through the help of Congress, we've been able to upgrade some of those airplanes to the new C–40s, which is a 737 variant.

We do that without even having to mobilize them in great numbers. Even with the taskings that we have over in Middle East today, we're able to provide that kind of service over there day in and day out primarily using people that are on 2-week detachments or even longer rotations. We do have one squadron mobilized, and yet we're able to provide logistics airlift support not only in Europe and in the Middle East, but also in Japan and at the same time, in the Pacific.

The third myth is that it takes us too long to mobilize. General Helmly referred to the fact that we have outdated processes. The problem oftentimes is that the mobilization clock seems to start when the requirement is put in, as far as the combatant commander is concerned. It goes through several levels inside of the Department of Defense before it gets down to the Reserves to actually mobilize their people. Once we get the requirement, we're able

to turn people on in very short order. Three days to a week is our nominal processing time.

So I just want to highlight those three myths I think that are out there, and we can talk about them more if you'd like to. I think those things have gotten too much play in the press, and I wanted to try and set those to rest in the record.

I look forward to your questions and thank you for your support over the years.

[The prepared statement of Admiral Totushek follows:]

PREPARED STATEMENT BY VICE ADM. JOHN B. TOTUSHEK, USNR

It has been a remarkably challenging and successful past year for the Naval Reserve. We are continuing at an unprecedented pace in support of the war on terrorism, while at the same time navigating the Naval Reserve through the complex process of transformation. Today, Navy's ability to surge rapidly and decisively to new crisis points rests primarily on active force capabilities with some Naval Reserve augmentation. Yet, any new crisis could potentially strain Navy's ability to sustain existing commitments, thus increasing the value of maintaining—and using, when needed—flexible operational capabilities resident in the Naval Reserve.

The Naval Reserve provides Navy with necessary operational and organizational agility.

- Operational readiness
- Parallel capability—reinforcing/sustaining/optimizing for crisis
- Incubating new capabilities
- Stand alone missions

We ask a lot from our individual reservists. They have responded heroically. As Operation Noble Eagle demonstrates, mobilized Naval Reserve capabilities are often required to meet the risks associated with surge, and to sustain Navy commitments. Despite various opinions to the contrary, my Reserve force has not been overtasked during the continuing global war on terrorism. We've recalled over 8,000 Naval reservists to-date, or approximately 10 percent of our force. We've recalled entire commissioned units as well as individuals with unique skills. While attrition across my force has been averaging in the high 20 percentile, our Career Decision Surveys targeted to those personnel demobilizing indicate that their attrition is holding at a mere 12 percent. We are confident that we have policies in place to manage and mitigate the strains we place on our sailors and their employers. The bottom line is that Naval Reserve personnel are staying Navy, and we were able to reduce our enlisted recruiting goal by 2,000 end strength this year.

The Naval Reserve: a proven source of Navy flexibility

- Mobilization for war on contingency
- Relieving stress on active PERSTEMPO
- Warfighting and support capability at reduced cost

Observing the work performed by our Naval reservists over the past year, I have concluded that heroes are just ordinary people who do extraordinary things.

Among the Naval Reserve heroes who represent the extraordinary sacrifices made by all of our members in support of Operations Enduring Freedom and Noble Eagle are people such as these:

- Petty Officer Second Class John Mason, a police officer from New York City whose patrol areas included the World Trade Center. He mobilized to Rota, Spain, to join a Naval security force there and decided to extend for a second full year.
- Commander Neal Bundo, from Crofton, Maryland, and members of Navy Command Center Unit 106 at the Pentagon mobilized and drilled around-the-clock to maintain the watch in the aftermath of the destruction of the center and the murder of fellow sailors.
- Utilityman Second Class Marianne Johnson, who lives in San Diego and is a single parent of two daughters and an accounts receivable clerk for Pepsi. She was mobilized to Pearl Harbor with Construction Battalion Maintenance Unit 303 to provide security support for Commander, Navy Region Hawaii. Although she could have waived her commitment, she arranged for a friend to take her apartment and temporary custody of her children for a whole year.

There are Naval Reserve heroes among the spouses of our reservists.

- The husband of Susan Van Cleve was also recalled with Construction Battalion Maintenance Unit 303. Without any formal Ombudsman training, Mrs. Van Cleve took on the task of representing the dependents and relatives of more than 180 mobilized SeaBees. What's remarkable is that the Van Cleves, from Lake Elsinore, California, have five children at home under age five.

Ordinary people. Summoned to do extraordinary things. I call them heroes. Anyone associated with the Reserve components of this Nation could go on and on with such stories because there are thousands of them. They are the people whose dedication we honor and must support.

At the height of the mobilization in 2002, we activated almost 10,600 Naval reservists, and, as mentioned earlier, we have more than 8,000 sailors providing support around the world today. A perfect example of this is Strike Fighter Squadron (VFA) 201, based at Naval Air Station Joint Reserve Base, Fort Worth, Texas, which was ordered to active duty by President George W. Bush, as a unit of Carrier Air Wing (CVW) 8 embarked aboard the U.S.S. *Theodore Roosevelt* (CVN 71). Reports indicate that the "Hunters" of VFA 201 are leading the Air Wing in every measurable category.

The majority of naval reservists that have been mobilized are individuals with unique specialties. They included significant numbers of law enforcement officers and security specialists. Medical, supply, intelligence, and other specialties continue to be heavily tasked. Entire units of the Naval Coastal Warfare commands were activated.

Naval Reserve fighter pilots flew combat air patrol over our great cities. P–3C Orion pilots and crews are still flying surveillance missions. Logistics aircraft crews maintain a continuous presence in Bahrain and their operations tempo has increased by 25 percent, most of which is being done without mobilization.

Top Five Priorities. While our deckplate sailors continue training to support combatant commanders, at the headquarters level we are still adhering to our top five priorities for the Naval Reserve. Let me briefly review highlights of these goals to illustrate how we are making progress.

The Fiscal Year 2003 Top Five Priorities for the Naval Reserve

- Manpower
- Training
- Equipment and Information Technology Compatibility
- Force Shaping
- Fleet Support

Manpower. Our recruiting numbers look good, and we are meeting goal. A continuing challenge is to fill targeted rates. While we initially saw that the percentage of prior service Navy entering the Naval Reserve bottomed out after September 11, it quickly rebounded, and we finished the year over end strength. Our attrition rate hovers near 25 percent, sharply down from a few years ago but short of our goal of 22 percent. One major improvement is that we are consolidating our recruiting efforts with the active Navy and expect that benefits will accrue to both.

Training. Our training emphasis is on supporting the Chief of Naval Operation's Task Force Excel and Commander, Naval Education and Training, through integration of Naval Reserve personnel at all levels in the Navy Training Organization. This integration will enable the Naval Reserve to be in a position to take advantage of training initiatives underway throughout the Navy. We are also providing Joint Professional Military Education and ultimately building a cadre of Reserve Officers with joint experience and designated as Fully Joint Qualified. This will involve working closely with joint gaining commands to identify billets requiring joint experience to be filled by Reserve Officers, an opportunity that has previously been nonexistent. Additionally, in order to take advantage of current and future training available through Distance Learning, we have been working hard to develop and implement a policy to provide drill pay to those personnel completing Distance Learning courseware at the direction of their Commanding Officer.

Equipment and Information Technology Compatibility. In fiscal year 2004 we see a continuation of the decline in procurement of equipment for the Naval Reserve. Total Naval Reserve equipment procurement steadily decreased from $229 million in fiscal year 1997 to about $91 million in fiscal year 2003.

Among the few bright spots in the fiscal year 2004 equipment budget is funding for the acquisition of one new C–40A logistics aircraft. These aircraft are of vital importance to fleet logistics since the Naval Reserve provides 100 percent of the Navy's organic lift capability and direct logistics support for combatant commanders in all operating theaters. In addition, the fiscal year 2004 budget calls for the procurement of another C–40A aircraft.

Other programs slated to receive procurement funding in the fiscal year 2004 budget include: the C–130T Aviation Modernization Program that will make 18 logistics aircraft compliant to fly worldwide; surveillance equipment upgrades and small boats for Naval Coastal Warfare forces; and ground and communication equipment for the Naval Construction Force.

Despite these welcome Reserve acquisition adds, essential F/A–18 modifications, P–3C upgrades, and SH–60B helicopters still require substantial investments. Currently one squadron of Reserve F/A–18A aircraft lack the capability to deliver precision-guided munitions and need ECP–560 upgrades to avionics, software, and accessories. Under the Navy-Marine Corps TACAIR integration plan, a Naval Reserve squadron is slated for disestablishment in fiscal year 2004.

P–3C aircraft used by the Naval Reserve constitute approximately 40 percent of the Navy's capability. Currently, these aircraft provide only limited support to operational commanders because they lack the Aircraft Improvement Program (AIP) upgrade. Active component AIP aircraft were used extensively in Afghanistan due to their improved communication and surveillance capabilities. To enable our P–3C squadrons to fully participate and integrate with the active component in support of operational requirements, an investment needs to be made to upgrade our 42 P–3C aircraft in the Naval Reserve's 7 P–3C squadrons. Improving Reserve squadron integration with active forces will reduce active component's operational tempo and increase overall Navy mission capability. Spending to achieve equipment compatibility and equivalent capability between active and Reserve components is always a wise investment.

Finally, the Littoral Surveillance System (LSS) provides timely assured receipt of all-weather, day/night maritime and littoral intelligence, surveillance, and reconnaissance data. For fiscal year 2003, Congress appropriated funds for a second LSS to support Naval Coastal Warfare. I'm encouraged that the emerging homeland security requirement to secure land and sea borders from potential terrorist attack is an emerging mission to which LSS capability can contribute. It is joint, transformational, and is consistent with Naval Reserve capabilities. I look forward to working with our Coast Guard friends in assisting them in protecting our coastal waters and ports.

In the Information Technology area, we have implemented the New Order Writing System (NOWS) online, and it is up and running smoothly. Within budget constraints, we continue with implementation of the Navy Marine Corps Intranet (NMCI). By the end of 2003, 100 percent of the Naval Reserve Force will be on the NMCI. Our goal is a seamless information and communication systems integration between the active Navy and the Naval Reserve. To meet our primary mission of delivering sailors, equipment, and units to combatant commanders requires information technology improvements in the manpower, personnel, communications, training, and financial management areas.

Force Shaping. On July 20, 2002, the Naval Reserve stood up the Naval Reserve Forces Command. In doing so, it eliminated the old title of Commander Naval Surface Reserve Force and merged separate Naval Reserve air and surface chains of command. This ongoing alignment, which is examining every facet of Naval Reserve operations—is making the Naval Reserve more flexible and responsive, improving its systems, and focusing on customer service. The alignment of the New Orleans headquarters staff allows one-stop shopping for the active duty Navy to reach the Naval Reserve Force and has provided additional full time support to the fleet.

Fleet Support. Earlier I mentioned the direct support we have been providing to combatant commanders, and we are prepared to do more. While we continue monitoring potential risks of sustained and repeated recalls, to date we have seen improved retention rates of recallees measured against the rest of the force. Every one of our 86,000 naval reservists wants to participate in winning the war on terrorism. We must ensure that they have the tools to do their jobs and integrate smoothly into the Fleet.

Transformation. Within the think tanks of Washington and in the E-ring hallways, there is much talk about how the Navy will participate in the DOD-wide transformation process. Though the Naval Reserve's traditional mission of reinforcing Active Forces and sustaining capabilities has always been valid, there are additional ways in which we can support transformation.

The Naval Reserve is the 'flex' Navy needs to navigate, and even accelerate its passage through a challenging and uncertain future. As it did throughout the Cold War, post-Operation Desert Storm and post-September 11 periods, the Navy will continue to depend on its Reserve as a mobilization asset, affordably extending Navy's operational availability. At the same time, the Navy will continue to rely on Naval Reserve units and individuals to provide day-to-day 'peacetime' operational capabilities and to reduce the stress on active personnel tempo. The extensive oper-

ational warfighting and service support experience resident in the Naval Reserve will be crucial to assisting Navy in achieving its Sea Strike, Sea Shield, and Sea Basing capabilities.

Some of our terminology will change as we transform. We no longer talk about CINCs; we talk about combatant commanders. We don't talk about TARs; we talk about Full Time Support personnel. We're not using the phrase Total Force, but we are talking about a transformational force that is simply one Navy.

The Navy is shaping itself in the 21st century in an environment of competitive resources, fluid planning assumptions, and operational uncertainty. As it begins the transformation, the Navy is also fighting the war on terrorism and maintaining a challenging global forward presence. Juggling such priorities involves risk.

The Naval Reserve's traditional function as a reservoir of capabilities that are not needed continuously in peacetime, but are needed in crisis, is crucial to mitigate such risks.

As one example, Naval Coastal Warfare forces have been called upon to provide a security framework on the home front as well as overseas. The mission—protection of strategic shipping, shallow water intrusion detection, traffic control, and harbor defense—has resided exclusively in the Naval Reserve for more than 10 years. Today, this force protection presence is made up of 100 percent naval reservists, who conduct fully integrated command, control, communications, surveillance, and harbor defense missions around the globe. Because these are ongoing requirements in this mission area, we will be integrating an active Mobile Security Force with existing Naval Reserve Coastal Warfare forces.

Another example is also tied to the aftermath of September 11: the immediate requirement for Master-at-Arms and law enforcement specialist to provide force protection to the Navy. This was a very small mission area for the Navy that, when the need arose, they were unable to fill with active duty sailors. The Naval Reserve took care of the requirement until the Navy could implement long-term measures.

However, the Naval Reserve can do more. Our agility can spread across a spectrum of other challenging areas: manpower, operations, planning, force structure, and mix. We can be a great reservoir for experimentation and innovation. In these and many other ways, the Naval Reserve can mirror and complement the Chief of Naval Operation's visions in Sea Power 21: to project power, protect U.S. interests, and enhance and support joint force operations.

Myths. Before I close, since this is probably the last opportunity I will have to appear before this committee, I would like to take this opportunity to briefly comment on several myths about the Naval Reserve that I have encountered during my tour as the Chief of Naval Reserve.

The first myth is the popular opinion of many that Reserve Forces have been overused during the GWOT. As I mentioned in the beginning, I can assure you that the Naval Reserve has not been overused and is ready and able to do more to support the Navy. I know this not only because of the conversations that I have had with Naval reservists on a daily basis, but also because of some very interesting statistics that have come out of our September 11 mobilizations, such as the one measure that indicates our current attrition rate for those mobilized for the GWOT is approximately 12 percent, which is considerably lower than our historical attrition rate. I'm a firm believer that the Naval Reserve Force needs to be used to be relevant.

The second myth is that it is unwise to place 100 percent of a mission within the Reserve. I firmly believe that certain missions are designed perfectly for the Reserve and are very cost effective. A perfect example is the 14 Naval Reserve squadrons of our Fleet Logistics Support Wing which have very successfully provided 100 percent of the Navy's worldwide intra-theatre airlift support on a continuous basis for over a decade. There are currently 14 Naval Reserve logistics aircraft deployed outside the continental United States, which is a 230-percent increase since September 11, yet we have done this while only mobilizing one airlift squadron.

You may have heard discussions about changing the mix of active component versus Reserve component. The Naval Reserve is working closely with the Navy to address High Demand/Low Density type units. Through innovative sharing of assets and essential skill sets, Reserve personnel have been used to train new active component crews as well as carry some of the load of the deployment rotation. VAQ 209, flying EA–6B electronic warfare jets based at NAF Washington, deployed overseas for 45 days this past summer flying combat patrols in support of Operation Northern Watch, their fifth such deployment in the last 7 years. Yet when they were here at home, they provided personnel and aircraft to the fleet to support multi-week flight training detachments. By doing this they maximize the value of the dollars Navy has already spent to train and equip them while sustaining and exercising their warfighting skills. The renewed demand for Naval Coastal Warfare units, as

mentioned before, has caused Navy to reevaluate the requirement and to create active component units. Naval Reserve, in this case, has served to provide the storehouse of skills so that as the demands of warfighting changed Navy was able to quickly meet the new challenge. These are just two examples of how your Naval Reserve Force provides the organizational flexibility needed to navigate the rapid changes of a transforming world.

A myth that certainly has to be dispelled is that Naval reservists cost more than their active duty counterparts. A cost comparison done for a 7 year period from fiscal year 2003 through fiscal year 2009 shows that a selected reservist, not mobilized at any time during that period, costs approximately 21 percent of the cost of an active member. The cost of a selected reservist mobilized for a 2 year period during that time frame still reflects a considerable savings—less than half of that of an active member. In 2002, Navy estimated that it costs $1.26 million to train an F–18 pilot, taking that "nugget" pilot from "street to fleet." By the time that same pilot will become a member of the Reserve Force, Navy will have invested many more millions of dollars to hone his or her skills. When that pilot joins a Naval Reserve squadron we will have recaptured every one of those training dollars. My point is that the cost of a valuable mobilization asset should not be looked at only in the limited context of the period during mobilization, but, rather in the larger context; that of an amazingly cost effective force multiplier available both during periods when the Nation's active forces are able to handle the PERSTEMPO and OPTEMPO without Reserve augmentation and during those periods of crisis that require citizen-sailors to leave their civilian lives and jobs and be mobilized.

An additional myth is that the Naval Reserve should only be employed for full mobilization scenarios. Much like VAQ 209, which I mentioned earlier, our Naval Special Warfare units and Naval Special Warfare helicopter squadrons, either by providing personnel or by providing deploying units, have participated in smaller scale contingency operations such as Operation Uphold Democracy in Haiti. Our Naval Reserve intelligence community is contributing daily to the processing and evaluation of intelligence information. Our maritime patrol squadrons and Naval Reserve Force frigates are continuously employed in the war on drugs. These scenarios do not involve full mobilization, they involve ad hoc contributions that keep our Naval reservists engaged in something that is important to them—the safety, security, and preservation of our country. If we want to continue the capable Reserve Force we have today, we must utilize their talents or they will not stay.

The last myth is that it takes too long for us to mobilize and be ready. Fortunately, I have a timely example to use to dispel this myth. On October 4, 2002, a mobilization order was issued to VFA–201. Within 72 hours 100 percent of squadron personnel had completed the mobilization process, and within 90 days, all refresher training had been completed and the squadron was deployed on board the U.S.S. *Theodore Roosevelt*. Every aviator has cruise experience, over 1,000 flight hours, and many have over 1,000 or 2,000 hours in type. Squadron aviators provided leadership to the air wing in strike planning, flight execution, and carrier operations. Their experience in operations around the world and in adversary tactics continue to aid increased air wing readiness. Since mobilization, the Hunters of VFA–201 have flown more than 990 sorties, 1,650 hours, and recorded 629 day and 392 night arrested landings. Not only were we ready to respond to the call quickly, but, I am pleased to report that VFA–201 pilots had the highest qualification grades in the Air Wing and were awarded the Squadron "Top Hook" award. I am also pleased to report that VFA–201s 12 F–18A+ aircraft are equivalent to F–18C aircraft primarily because of funding for equipment upgrades provided by Congress via the NG&RE appropriation.

Running Myths about the Naval Reserve

- Naval Reserve forces are being overused
- It is unwise to place a mission entirely in the Naval Reserve
- The Active/Reserve Force mix for High Demand/Low Density units should be changed
- The Naval Reserve should be used only for full mobilization scenarios
- It takes too long for the Naval Reserve to mobilize and get ready

Summary. The Naval Reserve is meeting big challenges with a force that is remarkably fit and ready to continue doing the heavy lifting for the Navy Marine Corps team. If we are successful at procuring the compatible equipment we need, we can become even more effective at world-class service to the fleet. We look forward to meeting the challenges ahead, both within the Naval Reserve and in support of the Navy's strategic vision.

As I review the state of our Naval Reserve Force over the past year, I take pride in what the Naval Reserve has accomplished. All things considered, it has been a remarkable year.

Senator CHAMBLISS. Thank you, Admiral. There are a lot of myths going around town about Members of Congress, too, and most of them are true. [Laughter.]

General McCarthy.

STATEMENT OF LT. GEN. DENNIS M. McCARTHY, USMCR, COMMANDER, MARINE FORCES RESERVE

General MCCARTHY. Senator Chambliss, Senator Nelson, thank you very much for the opportunity to appear on behalf of the Marine Corps Reserve.

General Mike Hagee, the Commandant of the Marine Corps, was in visiting marines in the theater a month or so ago, and he was quoted as saying, "I understand that two thirds of you," in this group that he was talking to, "are Reserves. I know you simply as marines. Looking at performance, I can't tell the difference." That is the quintessential statement of our success as the Marine Corps Reserve.

I'm very grateful for the support that Congress has provided, because it's helped us to do the things that we need to do to meet that standard. I'm enormously proud of the almost 20,000 marines who are currently mobilized. That's about half of the selected Reserve in the Marine Corps Reserve.

It's a combat force. Seventy-five percent of those marines and the sailors who serve with us are forward deployed in the Central Command area of operations. They're doing what they know how to do. They're not overstressed. They're well prepared, and, as both General Helmly and Admiral Totushek have said, they are glad to be doing what it is they're doing.

I do thank you for your support, and I look forward to answering your questions.

[The prepared statement of General McCarthy follows:]

PREPARED STATEMENT BY LT. GEN. DENNIS M. MCCARTHY, USMCR

Chairman Chambliss, Senator Nelson, and distinguished members of the subcommittee, it is my privilege to report on the status and the future direction of your Marine Corps Reserve as a partner in the Total Force. On behalf of marines and their families, I want to thank the committee for its unwaivering support. Your efforts reveal not only a commitment for ensuring the common defense, but also a genuine concern for the welfare of our marines and their families.

CURRENT STATUS

Today's Marine Reserves are ready, willing, and able to support the active component and to serve our communities in peace or war. During the global war on terrorism, Reserve units have filled critical roles in our Nation's defense—whether deployed to Afghanistan, Djibouti, or Kuwait or on standby at U.S. bases to quickly respond to homeland security crises.

As of February 27, approximately 15,000 marines were activated as part of units or individual augments in support of Operations Noble Eagle and Enduring Freedom. This represents approximately 40 percent of the Selected Marine Corps Reserve (SMCR) and 1.7 percent of the Individual Ready Reserve (IRR). The number has risen sharply since the beginning of 2003 in response to the deployment orders for marines to reposition to Southwest Asia for possible future contingency operations. Roughly 75 percent of the SMCR marines currently activated are or will be forward deployed into the U.S. Central Command area of operations.

Reserve integration can readily enhance Marine Corps operational capabilities, however, recognizing the Reserve as a finite resource the Commandant has insisted on its judicious use. In the first year of Operations Noble Eagle and Enduring Freedom we activated no more than 11 percent of the SMCR (units and Individual Mobilization Augmentees) and less than 2 percent of the IRR. All of the IRR members were volunteers.

The men and women in Marine Forces Reserve have responded tremendously to the call to duty. Only 1.1 percent of those receiving orders have requested delay, deferment, or exemption from duty.

Mobilization readiness is our number one priority all the time. The hard work and dedication of the marines and sailors of Marine Forces Reserve to this task has resulted in the efficient execution of the mobilization. During the first 2 months of 2003 we moved 7,860 passengers and 136,220 short tons of cargo directly from Reserve training centers to embarkation points using 605 tractor-trailers and 210 chartered buses and flights—without missing a designated arrival date. More than 12,000 Reserve personnel have initiated the anthrax vaccine series at their home training centers and most smallpox vaccinations are being administered at the gaining force command within 48 hours of deployment. No Reserve unit has had to ask for relief to enter theater without the required inoculations.

Reserve integration is important to our operational capabilities, we have been careful not to over commit our Reserves. In the first year of Operation Enduring Freedom we activated less than 3 percent of our approximately 57,000 Marine Individual Ready Reservists (IRRs). All of the those IRRs were volunteers. These numbers are expected to increase as we intensify our efforts. Of the approximately 39,558 marines in Selected Marine Corps Reserve (SMCR), no more than 3,700 were mobilized in 2002. Even though that number has increased sharply since the beginning of 2003, approximately 28,000 SMCR members remain "in Reserve" as of the first week of February.

The ability of the Reserve to rapidly mobilize and integrate into the active component in response to the Marine Corps' operational requirements is a tribute to the dedication, professionalism, and warrior spirit of every member of Marine Forces Reserve—both active and Reserve. Our future success relies firmly on the Marine Corps' most valuable asset—our marines and their families.

We continue to evaluate personnel policy changes regarding entitlements, training, and employment of Reserve Forces, and support for family members and employers to minimize the impact of mobilization on our marines. Our success in this area will enhance our ability to retain the quality marines needed to meet our emerging operational requirements.

We need your continued support to attract and retain quality men and women in the Marine Corps Reserve. Our mission is to find those potential marines who choose to manage a commitment to their family, their communities, their civilian careers, and the Corps. While such dedication requires self-discipline and personal sacrifices that cannot be justified by a drill paycheck alone, adequate compensation and retirement benefits are tangible incentives for attracting and retaining quality personnel. This challenge will be renewed when mobilized units return from active duty and begin the process of reconstitution.

Last year, the Marine Corps Reserve achieved its recruiting goals, accessing 5,900 non-prior service and 4,213 prior service marines. This is particularly significant as the historic high rate of retention for the active component reduced the pool for prior service recruiting. Enlisted attrition rates for fiscal year 2002 decreased approximately 2.8 percent from our historical 4-year average. Marine Corps Reserve officer attrition rates were slightly higher than historical averages which can in part be attributed to Reserve officers leaving non-mobilized SMCR units in order to be mobilized in support of individual augmentation requirements.

The incentives provided by Congress, such as the Montgomery GI Bill (MGIB) and the MGIB Kicker (Kicker) educational benefits, enlistment bonuses, medical and dental benefits, and commissary and PX privileges, have helped us to attract and retain capable, motivated, and dedicated marines, which has contributed to the stability of our force. Congressional enhancements allowed us to increase our recruiting and retention incentive programs during fiscal year 2001. We continued to fund these programs to the same levels in fiscal year 2002 and fiscal year 2003 through internal realignment. The increase is also reflected in our fiscal year 2004 budget request. The tangible results of your support for these incentives are the decreased attrition and recruiting successes I have just highlighted.

The Marine Corps is the only service that relies almost entirely on its prior service population to fill the ranks of its Reserve officer corps. Although the Marine Corps Reserve exceeded its recent historical SMCR unit officer accession rates in fiscal year 2002, manning our unit officer requirements at the right grade and MOS

continues to be our biggest recruiting and retention challenge. We are exploring ways to increase the Reserve participation of company grade officers.

The long-term impact of mobilization on recruiting and retention is still undetermined. More than 2,000 of our activated Reserves have now exceeded the 1-year mark. We will not know the overall retention impact until we demobilize a significant number of these marines and they have an opportunity to assess the impact of mobilization on their families, finances, and civilian careers.

Combat readiness and personal and family readiness are inseparable. Marine Forces Reserve Marine Corps Community Services is working aggressively to strengthen the readiness of our marines and families by enhancing their quality of life (QOL). Our many MCCS programs and services are designed to reach all marines and their families regardless of geographic location—a significant and challenging undertaking considering the geographic dispersion of our marines and their families throughout the U.S. and Puerto Rico. During the current partial mobilization we are seeing the payoffs of our significant investment over the past several years in family readiness programs. Key volunteers and site support personnel are assisting families and keeping communities informed.

In December 2002, the Marine Corps began participating in a 2-year Department of Defense demonstration project providing 24-hour telephonic and online family information and referral assistance. "MCCS One Source" is similar to employee assistance programs used by many of the Nation's leading major corporations as a proven HR strategy to help employees balance work and life demands, reduce stress, and improve on-the-job productivity. Already we are receiving positive feedback from users.

The support our Reserve Marines receive from their employers has a major impact on their ability to serve. We have partnered with the National Committee for Employer Support of the Guard and Reserve to foster a better mutual understanding and working relationship with employers. During the current partial mobilization many employers have voluntarily pledged to augment pay and extend benefits which has greatly lessened the burden of activation on our servicemembers and their families. I would like to acknowledge and thank the public and private sector employers of our men and women serving in the Marine Corps Reserve for their continued support.

Like the active component Marine Corps, the Marine Corps Reserve is a predominantly junior force with historically about 70 percent of SMCR marines on their first enlistment. Many of our young marines are also college students. Currently, there are no laws that would provide academic and financial protections for students and schools affected by mobilization. We support ESGR's new initiative to improve communication between Reserve component personnel and their educational institutions.

In addition to supporting Operations Noble Eagle and Enduring Freedom, Marine Reserves continued to provide operations tempo relief to the active forces during 2002. Notably, more than 300 Reserves volunteered to participate in UNITAS 43–02, creating the first Reserve Marine Forces UNITAS. From August to December, the marines sailed around South America conducting training exercises with military forces from Brazil, Colombia, Ecuador, Argentina, Peru, Chile, and other countries. Marine Forces Reserve also provided the bulk of Marine Corps support to the Nation's counter drug effort, participating in numerous missions in support of Joint Task Force 6, Joint Interagency Task Force-East, and Joint Interagency Task Force-West. Individual marines and units support law enforcement agencies conducting missions along the U.S. Southwest border and in several domestic "hot spots" that have been designated as High Intensity Drug Trafficking Areas.

The Active Duty Special Work (ADSW) Program funds short tours of active duty for Marine Corps Reserve personnel. This program continues to provide critical skills and operational tempo relief for existing and emerging augmentation requirements of the Total Force. The demand for ADSW has increased to support pre-mobilization activities during fiscal year 2002 and fiscal year 2003 and will be further challenged during post mobilization. In fiscal year 2002, the Marine Corps executed 1,208 work-years of ADSW. Continued support and funding for this critical program will ensure our Total Force requirements are fully met.

Maintaining overall SMCR end-strength at current levels will ensure the Marine Corps Reserve's capability to provide operational and personnel tempo relief to Active Marine Forces, maintain sufficient full-time support at our small unit sites, and retain critical aviation and ground equipment maintenance capabilities. SMCR units are structured along the Marine Air Ground Task Force model, providing air combat, ground combat, and combat service support personnel and equipment to augment and reinforce the active component. Less than 1 percent of our SMCR unit strength represents a Reserve-unique capablility. The current Marine Forces Re-

serve Force structure also reflects a small tooth-to-tail ratio with a minimal number of active duty and Reserve personnel in support roles, and a majority of our Reserve and active marines and sailors as deployable warfighters.

The Marine Corps Reserve also provides a significant community presence in and around our 187 sites nationwide. One of our most important contributions is providing military funerals for our veterans. The active duty staff members and Reserve marines at our sites performed approximately 6,170 funerals in 2002 and we project to support as many or more this year. The authorization and funding to bring Reserve marines on active duty to perform funeral honors has particularly assisted us at sites like Bridgeton, Missouri, where we perform several funerals each week. We appreciate Congress exempting these marines from counting against active duty end strength.

FUTURE ROLES AND MISSIONS

The value of the Marine Corps Reserve has always been measured in our ability to effectively augment and reinforce the active component. Over the next several years, the overall structure of Marine Forces Reserve will remain largely the same, however, we are working to create new capabilities to adapt and orient the Reserve Force to the changing strategic landscape. The capabilities were identified as part of an internal comprehensive review begun in 2001 and do not involve any changes to the number of Reserves or the geographic laydown of the force.

- Foremost among these capabilities will be the creation of two Security Battalions and an Intelligence Support Battalion. The Security Battalions will provide a dual-use capability consisting of eight Anti-Terrorism Force Protection platoons and an augmentation unit for the Marine Corps Chemical Biological Incident Response Force (CBIRF).
- Recognizing the increased requirements at Marine Corps and Joint Commands for rapid, flexible Staff Augmentation, the Marine Corps Reserve is enhancing and modifying the Individual Mobilization Augmentee program to increase the quantity and distribution of Augmentee billets to better support the Warfighting Commander's needs.
- Additional Reserve capabilities involve Information Technology, Environmental Protection, and Foreign Languages.

SUMMARY

In early February this year while visiting a group of marines in Qatar, the Commandant of the Marine Corps made the following comment: "I understand from the numbers that two-thirds of you here are reservists—I know you simply as marines—and looking at performance I can't tell the difference." Testaments like this tell the real story of our success. Our greatest asset is our outstanding young men and women in uniform. Your consistent and steadfast support of our marines and their families has directly contributed to our success. The Marine Corps appreciates your continued support and collaboration in making the Marine Corps and its Reserve the Department of Defense model for Total Force integration and expeditionary capability.

Senator CHAMBLISS. Thank you, General McCarthy.

General Batbie.

STATEMENT OF MAJOR GEN. JOHN J. BATBIE, USAFR, VICE COMMANDER, AIR FORCE RESERVE COMMAND

General BATBIE. Mr. Chairman, Senator Nelson, I want to thank you for allowing me to be here today and testify on behalf of General Sherrard and the nearly 76,000 members of the Air Force Reserve. Over 13,000 citizen airmen are mobilized today, and, due to our one tier of readiness, they're performing brilliantly in today's total force.

I want to acknowledge that this committee took the lead in some key legislation for us this year, including the repealing of the prohibition on Active Guard and Reserve (AGR) Forces personnel performing installation security functions. Like the other witnesses have said, extending from 10 to 14 years the time to use the Montgomery GI Bill Selected Reserve entitlement, as well as many other

initiatives which help us recruit and retain our quality people are greatly appreciated. With your help, the Air Force Reserve will remain a viable force for the future.

I look forward to answering any questions you might have, sir.

[The prepared statement of General Batbie follows:]

PREPARED STATEMENT BY MAJ. GEN. JOHN J. BATBIE, JR., USAFR

Mr. Chairman, Senator Nelson, and distinguished members of the subcommittee, I appreciate the opportunity to appear before you today and I certainly want to thank you for your continued support, which has helped your Air Force Reserve address vital recruiting, retention, modernization, and infrastructural needs. Your passage of last year's pay and quality of life initiatives sent a clear message to our citizen airmen that their efforts are not only appreciated and supported by their families, employers, and the American people, but also by those of you in the highest positions of governing.

HIGHLIGHTS OF 2002

We culminate 2002 and begin 2003 focused on transforming our air and space capabilities as well as streamlining the way we think about and employ our forces. We continue to develop our airmen into leaders, bring technology to them at their units and in the battlespace, and integrate operations to maximize our combat capabilities. These three basic core competencies are critical to the Air Force Reserve as we become more and more relevant in the future total force.

The Air Force, with the Air Force Reserve Command (AFRC), has enjoyed over 30 years of unparalleled Total Force integration success. We were the first to establish associate units which blend Active and Reserve Forces into the correct mix. Our members perform in almost every mission area and seek involvement in all future mission areas, as those areas become relevant. Key to our successes, to date, is the fact that AFRC is a very dynamic organization in a dynamic environment, still putting our airmen first, and using new technology to seamlessly integrate all our forces, whether associate or unit equipped, in both peace and war.

DEVELOPING OUR AIRMEN

I am pleased to tell you that the Air Force Reserve continues to be a force of choice for the Air Force and the warfighting commanders, as we respond swiftly to each phase of the global war on terrorism (GWOT). We focus our attention on our people to assure they are provided the full spectrum of training opportunities, enhancing their warfighting skills, the capabilities of the Air Force Reserve, and thus, the capabilities of the Air Force.

As we strive to retain our best and brightest, we must continue to reward them through compensation and benefits. We continue to challenge our family support personnel, commanders, and first sergeants to find improved ways to look after the families who remain while our members deploy. We reach out to their employers with our thanks for their sacrifice and support. We encourage open dialogue among the troops, and from the troops, through their chain of command, to me, to exchange ideas and receive feedback. Finally, it is critical to partner with you to ensure we remain the strongest air and space force in the world.

The Air Force is a team—we train together, work together, and fight together. Wherever you find the United States Air Force, at home or abroad, you will find the active and Reserve members working side-by-side, trained to one tier of readiness, READY NOW! and that's the way it should be.

RECRUITING

In fiscal year 2002, Air Force Reserve Command (AFRC) exceeded its recruiting goal for the second year in a row. This remarkable feat was achieved through the outstanding efforts of our recruiters, who accessed 107.9 percent of the recruiting goal, and through the superb assistance of our Reserve members who helped tell our story of public service to the American people. Additionally, AFRC was granted permission by the Assistant Secretary of the Air Force, Manpower and Reserve Affairs, in coordination with the Under Secretary for Defense (Personnel and Readiness), to surpass its fiscal year 2002 end-strength due to the ongoing support of current operations. AFRC end strength reached 102.59 percent of congressionally authorized requirements.

Several initiatives contributed to Air Force Reserve recruiters once again leading the Department of Defense in annual accessions per recruiter. For example, in fiscal

year 2001, AFRC permanently funded 50 recruiter authorizations through accelerated authorizations and appropriations by Congress, we extended the much appreciated congressional action through the Programmed Objective Memorandum process. Further, they instituted a new 1–800 call center, redesigned the recruiting web site, launched an advertising campaign targeting those accessed from other services, and re-energized the "Get One" program, whereby Air Force Reserve members receive incentive awards for referrals and accessions given to recruiters.

Moreover, AFRC received permanent funding for an "off-base" real estate program to set up offices in malls and other high visibility areas. This initiative was desperately needed to provide recruiters greater exposure in local communities and access to non-prior service (NPS) applicants—a significant recruiting requirement since the active duty drawdown.

While fiscal year 2002 was an outstanding year for recruiting, fiscal year 2003 is shaping up to be a very challenging year. A personnel management program, "Stop Loss," was implemented for Air Force members. Historically, Reserve recruiting accesses close to 25 percent of eligible separating active duty Air Force members (i.e. no break in service), accounting for a significant portion of annual accessions. Although Stop Loss has since been terminated, the continued high OPS/PERS tempo may negatively impact our success in attracting separating airmen. As a result, recruiters will have a difficult task accessing through other sources, including NPS, Air Force separatees with a break in service, and accessions from other services' former members.

Additionally, one of the biggest challenges for recruiters this year is a shortage of basic military training (BMT) and technical training school (TTS) quotas. BMT and TTS allocations have not kept pace with increasing NPS recruiting requirements. Specifically, Recruiting Services enlisted almost 1,500 applicants in fiscal year 2002 without BMT and TTS dates. We are working closely with Air Force Specialty Code Functional Managers (FAMs) and the personnel community to increase the future number of BMT and TTS quotas available. In the interim, when we cannot match basic training and technical training schools back-to-back, new airmen can complete basic training, report back to their unit for orientation and local training, then attend their technical school at a later date convenient to both the Air Force Reserve and the applicant.

Finally, while overall end strength of the Air Force Reserve exceeds 100 percent, some career fields are undermanned. To avoid possible readiness concerns, recruiters will be challenged to guide applicants to critical job specialties. To assist in this effort, we continually review enlistment bonus listings to achieve parity with active duty listings for our airmen in these critical career fields. It is an ongoing management process involving all levels from career advisors to those of you on this committee to look into the future, anticipate the high demand specialties, and increase bonuses to balance supply and demand.

RETENTION

Retention is a major concern within the Air Force Reserve. With the lifting of Stop Loss and extended partial mobilizations, the full impact on Reserve retention remains to be seen. Nevertheless, our overall enlisted retention rate of 86 percent for fiscal year 2002 exceeded the 5 year average. For officers, retention remains steady at approximately 92 percent.

We continue to look at viable avenues to enhance retention of our reservists. We are exploring the feasibility of expanding the bonus program to our Active Guard Reserve (AGR) and Air Reserve Technician (ART) members; however, no decision has yet been made to implement. In addition, the Aviation Continuation Pay (ACP) continues to be offered to retain our rated AGR officers. The Reserve has made many strides in increasing education benefits for our members, offering 100 percent tuition assistance for those individuals pursuing an undergraduate degree and continuing to pay 75 percent for graduate degrees. We also employ the services of the Defense Activity for Non-Traditional Education Support (DANTES) for College Level Examination Program (CLEP) testing for all reservists and their spouses. These are our most notable, but we continue to seek innovative ways to enhance retention whenever and wherever possible.

QUALITY OF LIFE INITIATIVES

In an effort to better provide long-term care insurance coverage for its members and their families, the Air Force Reserve participated in the Federal Long-Term Care Insurance Program (a commercial insurance venture sponsored by the Office of Personnel Management). This program affords members of the Selected Reserve insurance coverage for a variety of home and assisted living care requirements. Leg-

islative changes are being pursued to open program eligibility to those members who are "gray area." The Air Force Reserve expanded its Special Duty Assignment Pay program to include an additional 17 traditional, 7 Active Guard and Reserve (AGR), and 10 Individual Mobilization Augmentee (IMA) Air Force Specialty Codes, and continues to advance staff efforts to mirror the active duty SDAP program. Additionally, an initiative to pay congressionally authorized SDAP to members performing inactive duty for training was approved on the 13th of February, this year.

THE BIG PICTURE

We have learned much from the events of September 11, 2001, as it illustrated many things very clearly, not the least of them being the need for a new steady state of operations demanding more from our people and our resources. Within hours, and in some cases within minutes of the terrorist attacks, Air Force Reserve Command units throughout the country were involved in transporting people and resources to aid in the massive humanitarian relief effort. Air Force Reserve aeromedical evacuation (AE) aircrews were among the first to respond and provided almost half of the immediate AE response provided. However, the larger need was mortuary affairs support, of which the Air Force Reserve provides 75 percent of Air Force capability. Again, 186 trained reservists immediately stepped forward, in volunteer status, for this demanding mission. Reserve airlift crews were among the first to bring in critical supplies, equipment, and personnel, including emergency response teams from the Federal Emergency Management Agency (FEMA), fire trucks, search dogs, and earth moving equipment. F–16 fighters and KC–135/KC–10 air refueling tankers immediately began pulling airborne and ground alert to provide combat air patrol support over major U.S. cities.

In direct support of Operation Enduring Freedom, Air Force reservists have flown a multitude of combat missions into Afghanistan. Most notably, the 917th Wing at Barksdale AFB, Louisiana (B–52s), the 419th Fighter Wing at Hill AFB, Utah (F–16s), the 442d Fighter Wing at Whiteman AFB, Missouri (A–10s), and the 926th Fighter Wing at NAS Joint Reserve Base, New Orleans (A–10s). Reserve aircrews have flown C–17 airdrop missions into Afghanistan delivering humanitarian aid, provided refueling tanker crews and support personnel from the 434th Air Refueling Wing at Grissom ARB, IN, and 349th Air Mobility Wing at Travis AFB, California (KC–10). Additionally, Air Force Reserve F–16 units have been involved in support of Operation Noble Eagle by flying combat air patrols over American cities (301st Fighter Wing, JRB NAS Fort Worth, Texas, 482d Fighter Wing, Homestead ARB, Florida, and 419th Fighter Wing, Hill AFB, Utah). Our AWACS associate aircrew from Tinker AFB, OK, flew 13 percent of the Operation Noble Eagle sorties with only 4 percent of the Total Force crews. Air Force Reserve C–130s with their aircrew and support personnel, under the direction of NORAD, in support of Operation Noble Eagle, provided alert for rapid CONUS deployments of Army and Marine Quick Response Forces and Ready Response Forces. Reserve units were also refueling those combat air patrol missions with refueling assets from various Reserve wings. Also in direct support of Operations Enduring Freedom/Noble Eagle, Air Force space operations' reservists have conducted Defense Meteorological Satellite Program (DMSP), Defense Support Program (DSP), and Global Positioning Satellite (GPS) operations, providing critical weather, warning, and navigation information to the warfighter. Additionally, Air Force reservists have supported Aerospace Operations Center efforts providing COMAFSPACE with situational awareness and force capabilities to conduct combat operations at all levels of conflict.

What makes these units unique is the fact that our reservists have demonstrated time and time again, the success of an all volunteer force. In fact, many of those who were mobilized, had volunteered to perform duty, and day to day, a significant percentage of Air Force missions are performed through or augmented by AFRC. We are no longer a force held in reserve solely for possible war or contingency actions—we are at the tip of the spear. The attacks on our freedom—on our very way of life—cemented the Total Force concepts already in place and AFRC continues to work shoulder-to-shoulder with the active duty (AD) and Air National Guard (ANG) components in the long battle to defeat terrorism.

Effective modernization of Air Force Reserve Command (AFRC) assets is our key to remaining a relevant and combat ready force. It is apparent to all that the Reserve component is crucial to the defense of our great Nation and our modernization strategy is sound, but is dependent upon lead command funding. AFRC has had limited success in getting the lead commands to fund our modernization requirements (CCIU and C–17 sim are two examples), but unfortunately lead command funding of AFRC modernization priorities remains below the level needed to maximize our capabilities. Although the National Guard and Reserve Equipment Appropriation

(NGREA) funding helps offset some of these modernization shortfalls, the level of funding precludes us from addressing our larger modernization priorities. Success in meeting our modernization goals depends on robust interaction with the lead commands and in keeping congressional budgeting authorities informed of AFRC initiatives.

INTEGRATING OPERATIONS

Air Force Reserve Command made major Air Expeditionary Force (AEF) contributions in fiscal year 2002. We met virtually 100 percent of both aviation and combat support commitments, by deploying over 20,700 volunteers overseas and another 12,600 supporting homeland defense, in volunteer status. The challenge for 2003 will be to meet ongoing AEF commitments with volunteers from a Reserve Force which has had much of its operations and combat support mobilized for homeland defense and the war on terrorism. As of today, over 12,000 Air Force reservists are mobilized, and thousands more continue to provide daily support as volunteers. Over 1,500 of those mobilized are Individual Mobilization Augmentees (IMAs), providing critical support to the Unified Commands, active component MAJCOMs, and various defense agencies supporting homeland security and Operation Enduring Freedom. Required support functions span the entire breadth of Reserve capabilities including security forces, civil engineering, rescue, special operations, strategic and tactical airlift, air refueling, fighters, bombers, AWACs, command and control, communications, satellite operations, logistics, intelligence, aerial port, services, mission support, and medical.

AEF CY02—IN REVIEW

2002 ended as it began, in transition. It began with surging requirements brought on by the GWOT. To manage the surge, we remained true to the AEF concept to hold the negative impact of operations and personnel tempos to a minimum. AFRC was meeting the new taskings brought on by the war and the associated mobilizations while at the same time meeting AEF commitments we made prior to September 11. From the AFRC AEF Cell perspective it was a magnificent effort by all the wings in the command to meet the challenges. The full impact is appreciated when it is understood we did not ask to be relieved of any AEF tasking, met all new ONE/OEF taskings, and were still able to find volunteers to help fill other identified shortfalls. As the year ended, we transitioned to a lower activity level through demobilizations, but continued to plan for a potential new demanding operation. The constant is that we still have our AEF commitments, we are still meeting them, and we do not have any shortfalls. For next year we expect the number of AEF requirements to reflect the increase brought on by the war on terrorism. The culture change to an expeditionary Air Force is being realized through all levels of the command and is demonstrated in action as well as words by the response to the AEF, ONE, and OEF taskings of the past year.

Air Reserve component participation is central to the AEF construct. The ARC normally contributes 10 percent of the Expeditionary Combat Support and 25 percent of the aviation for steady-state rotations. Air National Guard (ANG) and Air Force Reserve Command (AFRC) forces make up nearly half of the forces assigned to each AEF, with the ARC making up the majority of forces in some mission areas.

TECHNOLOGY TO THE WARFIGHTER

F–16 Fighting Falcon

Air Combat Command and AFRC are upgrading the F–16 Block 25/30/32 in all core combat areas by installing a Global Positioning System (GPS) navigation system, Night Vision Imaging System (NVIS) and NVIS compatible aircraft lighting, Situational Awareness Data Link (SADL), Target Pod integration, GPS steered "smart weapons", an integrated Electronics Suite, Pylon Integrated Dispense System (PIDS), and the Digital Terrain System (DTS).

The acquisition of the LITENING II targeting pod marked the greatest jump in combat capability for AFRC F–16s in years. At the conclusion of the Persian Gulf War, it became apparent that the ability to employ precision-guided munitions, specifically laser-guided bombs, would be a requirement for involvement in future conflicts. LITENING II affords the capability to employ precisely targeted Laser Guided Bombs (LGBs) effectively in both day and night operations, any time at any place. LITENING II was designed to be spirally developed to allow technology advances to be incorporated as that technology became available, and provides even greater combat capability. This capability allows AFRC F–16s to fulfill any mission tasking requiring a self-designating, targeting-pod platform, providing needed relief for

heavily tasked active duty units. These improvements have put AFRC F–16s at the leading edge of combat capability. The combination of these upgrades are unavailable in any other combat aircraft and make the Block 25/30/32 F–16 the most versatile combat asset available to a theater commander. Tremendous work has been done keeping the Block 25/30/32 F–16 employable in today's complex and demanding combat environment. This success has been the result of far-sighted planning that has capitalized on emerging commercial and military technology to provide specific capabilities that were projected to be critical. That planning and vision must continue if the F–16 is to remain usable as the largest single community of aircraft in America's fighter force. Older model Block 25/30/32 F–16 aircraft require structural improvements to guarantee that they will last as long as they are needed. They also require data processor and wiring system upgrades in order to support employment of more sophisticated precision attack weapons. They must have improved pilot displays to integrate and present the large volumes of data now provided to the cockpit. Additional capabilities to include LITENING II pod upgrades, are needed to nearly eliminate fratricide and allow weapons employment at increased range, day or night and in all weather conditions. They must also be equipped with significantly improved threat detection, threat identification, and threat engagement systems in order to meet the challenges of combat survival and employment for the next 20 years.

A/OA–10 Thunderbolt

There are five major programs over the next 5 years to ensure the A/OA–10 remains a viable part of the total Air Force. The first is increasing its precision engagement capabilities. The A–10 was designed for the Cold War and is the most effective Close Air Support (CAS) anti-armor platform in the USAF, as demonstrated during the Persian Gulf War. Unfortunately, its systems have not kept pace with modern tactics as was proven during Operation Allied Force. The AGM–65 (Maverick) is the only precision-guided weapon carried on the A–10. Newer weapons are being added into the Air Force inventory regularly, but the current avionics and computer structure limits the deployment of these weapons on the A–10. The Precision Engagement and Suite 3 programs will help correct this limitation. Next, critical systems on the engines are causing lost sorties and increased maintenance activity. Several design changes to the accessory gearbox will extend its useful life and reduce the existing maintenance expense associated with the high removal rate. The other two programs increase the navigation accuracy and the overall capability of the fire control computer, both increasing the weapons system's overall effectiveness. Recent interim improvements included Lightweight Airborne Recovery System (LARS) and LITENING II targeting pod integration.

With the advent of targeting pod integration, pods must be made available to the A–10 aircraft. Thirty LITENING II AT pods are required to bring advanced weapon employment to this aircraft. AFRC looks forward to supporting the Precision Engagement program to futher integrate targeting pods. Looking to the future, there is a requirement for a training package of 30 PRC–112B/C survival radios for 10th Air Force fighter, rescue, and special operations units. While more capable, these radios are also more demanding to operate and additional units are needed to ensure the aircrews are fully proficient in their operation. One of the A–10 challenges is resources for upgrade in the area of high threat survivability. Previous efforts focused on an accurate missile warning system and effective, modern flares; however a new preemptive covert flare system may satisfy the requirement. The A–10 can leverage the work done on the F–16 Radar Warning Receiver and C–130 Towed Decoy Development programs to achieve a cost-effective capability. The A/OA–10 has a thrust deficiency in its operational environment. As taskings evolved, commanders have had to reduce fuel loads, limit take-off times to early morning hours, and refuse taskings that increase gross weights to unsupportable limits. Fifty-two AFRC A/OA–10s need upgraded structures and engines (2 engines per aircraft plus 6 spares for a total of 110 engines).

B–52 Stratofortress

In the next 5 years, several major programs will be introduced to increase the capabilities of the B–52 aircraft. Included here are programs such as a Crash Survivable Flight Data Recorder and a Standard Flight Data Recorder, upgrades to the current Electro-Optical Viewing System, Chaff and Flare Improvements, and improvements to cockpit lighting and crew escape systems to allow use of Night Vision Goggles. Enhancements to the AFRC B–52 fleet currently under consideration are:

- Visual clearance of the target area in support of other conventional munitions employment;

- Self-designation of targets, eliminating the current need for support aircraft to accomplish this role;
- Target coordinate updates to JDAM and WCMD, improving accuracy; and
- Bomb Damage Assessment of targets.

In order to continue the viability of the B–52 well into the next decade, several improvements and modifications are necessary. Although the aircraft has been extensively modified since its entry into the fleet, the advent of precision guided munitions and the increased use of the B–52 in conventional and Operations Other Than War (OOTW) operation requires additional avionics modernization and changes to the weapons capabilities such as the Avionics Midlife Improvement, Conventional Enhancement Modification (CEM), and the Integrated Conventional Stores Management System (ICSMS). Changes in the threat environment are also driving modifications to the defensive suite including Situational Awareness Defense Improvement (SADI) and the Electronic Counter Measures Improvement (ECMI), and integration of the LITENING II targeting pod. Five LITENING II AT pods are required to support this important new capability.

The B–52 was originally designed to strike targets across the globe from launch in the United States. This capability is being repeatedly demonstrated, but the need for real time targeting information and immediate reaction to strike location changes is needed. Multiple modifications are addressing these needs. These integrated advanced communications systems will enhance the B–52 capability to launch and modify target locations while airborne. Other communications improvements are the Global Air Traffic Management (GATM) Phase 1, an improved ARC–210, the KY–100 Secure Voice, and a GPS–TACAN Replacement System (TRS).

As can be expected with an airframe of the age of the B–52, much must be done to enhance its reliability and replace older, less reliable or failing hardware. These include a Fuel Enrichment Valve Modification, Engine Oil System Package, and an Engine Accessories Upgrade, all to increase the longevity of the airframe.

MC–130H Talon

In 2006, AFRC and Air Force Special Operations Command will face a significant decision point on whether or not to retire the Talon I. This largely depends on the determination of the upcoming SOF Tanker Requirement Study. Additionally, the MC–130H Talon II aircraft will be modified to air refuel helicopters. The Air Force CV–22 is being developed to replace the entire MH–53J Pave Low fleet, and the MC–130E Combat Talon l. The CV–22 program has been plagued with problems and delays and has an uncertain future. Ultimately, supply/demand will impact willingness and ability to pay for costly upgrades along with unforeseeable expenses required to sustain an aging weapons system.

HC–130P/N Hercules

Over the next 5 years, there will be primarily sustainability modifications to the weapons systems to allow it to maintain compatibility with the remainder of the C–130 fleet. In order to maintain currency with the active duty fleet, AFRC will accelerate the installation of the APN–241 as a replacement for the APN–59. Additionally, AFRC will receive two aircraft modified from the 'E' configuration to the Search and Rescue configuration. All AFRC assets will be upgraded to provide Night Vision Imaging System (NVIS) mission capability for C–130 combat rescue aircraft.

HH–60G Pave Hawk

Combat Search and Rescue (CSAR) Mission Area modernization strategy currently focuses on resolving critical weapon system capability shortfalls and deficiencies that pertain to the Combat Air Force's Combat Identification, Data Links, Night/All-Weather Capability, Threat Countermeasures, Sustainability, Expeditionary Operations, and Pararescue modernization focus. Since the CAF's CSAR forces have several critical capability shortfalls that impact their ability to effectively accomplish their primary mission tasks today, most CSAR modernization programs/initiatives are concentrated in the near-term (fiscal year 2000–2006). These are programs that:

- Improve capability to pinpoint location and authenticate identity of downed aircrew members/isolated personnel
- Provide line-of-sight and over-the-horizon high speed LPI/D data link capabilities for improving battle space/situational awareness
- Improve Command and Control capability to rapidly respond to "isolating" incidents and efficiently/effectively task limited assets
- Improve capability to conduct rescue/recovery operations at night, in other low illumination conditions, and in all but the most severe weather conditions

- Provide warning and countermeasure capabilities against RF/IR/EO/DE threats
- Enhance availability, reliability, maintainability, and sustainability of aircraft weapon systems

WC–130J Hercules

The current WC–130H fleet is being replaced with new WC–130J models. This replacement allows for longer range and ensures weather reconnaissance capability well into the next decade. Once conversion is complete, the 53rd Weather Reconnaissance Squadron will consist of 10 WC–130Js. Presently, there are seven WC–130J models at Keesler AFB, MS undergoing Qualification Test and Evaluation (QT&E). The remaining three aircraft have been transferred to AFRC and are currently at Lockheed Marietta scheduled for delivery to Keesler AFB. Deliveries are based on the resolution of deficiencies identified in test and will impact the start of operational testing and the achievement of interim operational capability (IOC). Major deficiencies include: propellers (durability/supportability), radar modification to correct (range to range inconsistencies), tilt and start up blanking display errors, and SATCOM transmission deficiencies. AFRC continues to work with the manufacturer to resolve the QT&E documented deficiencies.

C–5 Galaxy

Over the next 5 years, there will be sustainability modifications to the weapon system to allow it to continue as the backbone of the airlift community. The fleet will receive the avionics modernization which replaces cockpit displays while upgrading critical flight controls, navigational, and communications equipment. This will allow the C–5 to operate in Global Air Traffic Management (GATM) airspace. Additionally, the C–5B models and possibly the C–5As, will undergo a Reliability Enhancement and Re-engining program which will not only replace the powerplant, but also numerous unreliable systems and components. The 445th Airlift Wing at Wright Patterson AFB, OH will transition from C–141 Starlifters to C–5As in fiscal year 2006 and fiscal year 2007. Finally, the 439th Airlift Wing at Westover ARB, MA will modernize its C–5 fleet in fiscal year 2007 and fiscal year 2008 when it transitions from C–5As to C–5Bs.

C–17 Globemaster

Beginning in fiscal year 2005, the Air Force Reserve Command will enter a new era as the 452nd Air Mobility Wing at March Air Reserve Base, CA transitions from C–141s to C–17 Globemasters. Although reservists have been associating with active C–17 units since their inception in the active Air Force, March ARB will be the Command's first C–17 Unit Equipped Unit and will aid in maintaining diversity in the Reserve Command's strategic mobility fleet.

C–141 Starlifter

For the past 30 years, the C–141 has been the backbone of mobility for the United States military in peacetime and in conflict. In the very near future, the C–141 will be retired from the active-duty Air Force. However, Air Force Reserve Command continues the proud heritage of this mobility workhorse and will continue to fly the C–141 through fiscal year 2006. It is crucial that AFRC remains focused on flying this mission safely and proficiently until units convert to follow-on missions. Replacement missions must be more than the insertion of another airframe. They must be a viable mission that includes modernized equipment.

C–130 Hercules

AFRC has 127 C–130s including the E, H, J, and N/P models. The Mobility Air Forces (MAF) currently operates the world's best theater airlift aircraft, the C–130, and it will continue in service through 2020. In order to continue to meet the Air Force's combat delivery requirements through the next 17 years, aircraft not being replaced by the C–130J will become part of the C–130X Program. Phase 1, Avionics Modernization Program (AMP) program includes a comprehensive cockpit modernization by replacing aging, unreliable equipment and adding additional equipment necessary to meet Nav/Safety and GATM requirements. Together, C–130J and C–130X modernization initiatives reduce the number of aircraft variants from 20 to 2 core variants, which will significantly reduce the support footprint and increase the capability of the C–130 fleet. The modernization of our C–130 forces strengthens our ability to ensure the success of our warfighting commanders and lays the foundation for tomorrow's readiness.

KC–135E/R Stratotanker

One of Air Force Reserve Command's most challenging modernization issues concerns our unit-equipped KC–135s. Five of the seven air refueling squadrons are equipped with the KC–135R, while the remaining two squadrons are equipped with KC–135Es. The KC–135E, commonly referred to as the E-model, has engines that were recovered from retiring airliners. This conversion, which was accomplished in the early mid-1980s, was intended as an interim solution to provide improvement in capability while awaiting conversion to the R-model with its new, high-bypass, turbofan engines and other modifications. AFRCs remaining two E-models units look forward to converting to R-models in the very near future (fiscal year 2004–2005).

The ability of the Mobility Air Forces (MAF) to conduct the air refueling mission has been stressed in recent years. Although total force contributions have enabled success in previous air campaigns, shortfalls exist to meet the requirements of our National Military Strategy. AMC's Tanker Requirements Study-2005 (TRS–05) identifies a shortfall in the number of tanker aircraft and aircrews needed to meet global refueling requirements in 2005. There is currently a shortage of KC–135 crews and maintenance personnel. Additionally, the number of KC–135 aircraft available to perform the mission has decreased in recent years due to an increase in depot-possessed aircraft with a decrease in mission capable (MC) rates. An air refueling Mission Needs Statement has been developed and an Analysis of Alternatives (AoA) will be conducted to determine the most effective solution set to meet the Nation's future air refueling requirements.

FUTURE VECTOR

As we think about our future, the nature of warfighting, and the new steady state, we anticipate many challenges. While this new mission activity continues, we need to keep our focus—assess the impact of Stop Loss on our operations, provide adequate funding for continuing activations, and keep an eye on sustaining our recruiting efforts. The challenge will be to retain our experience base and keep our prior service levels high. With your continued support, and that which you have already given, we will be able to meet each new challenge head-on, without trepidation.

Our citizen airmen, alongside the active duty and the Air National Guard, continue to step through the fog and friction as we prosecute the GWOT. Our support for them is not just in the battlespace, but at home. We will continue to refine the ways we support their families, their employers, and the members themselves as we keep the lines of communication open to you. We must ensure that we are doing as much for them through increased pay, benefits, and finding the right mix between equity and parity with their active duty counterparts, as we continue to ask more and more of them. We must continue to think outside the box, to protect their rights as students who are called away from an important semester, as employees who must turn that big project over to someone else in the company for a while, and just as critically, as sons, daughters, husbands, wives, and parents who will miss birthdays, graduations, and a litany of other events many of us take for granted.

We are making strides at leveling the operations tempo by finding the right skill mix between the ARCs and the AD. In a Total Force realignment of scarce LD/HD resources, the 939th Rescue Wing's HC–130s and HH–60s will transfer to the active component in order to reduce the Total Force PERSTEMPO in the LD/HD mission of Combat Search and Rescue. The transfer of these assets to the active component increases full-time personnel without increasing already high volunteerism rates or having to mobilize a significant number of CSAR reservists. The activation of the 939th Air Refueling Wing, Portland, OR, addresses the need for more aerial refueling assets on the West coast enhancing our ability to rapidly respond to any crisis.

Additionally, AFRC has assumed responsibility for supporting the National Science Foundation Deep Freeze mission. The next 3 years, the men and women of the 452nd AMW at March ARB, CA, will be flying C–141 support missions in support of this Antarctic operation. We have also assumed 16 percent of the Total Force Undergraduate Pilot Training programs at seven bases around the United States and we continue to balance, assume, and relinquish missions or parts of missions to accommodate the goals of the Air Force and Department of Defense as world events unfold and dictate change, and as necessary to lessen the burden on our members and the AD.

All of the distinguished members on the committee, and we in the Air Force and Air Force Reserve, have been given an incredible opportunity and an incredible responsibility to shape not only the structure of the world's premiere air and space

force, but to shape its environment . . . its quality people, and the quality of their lives. Our mission will continue to be accomplished more accurately, more timely, and with an even greater pride, as we focus on our best resource.

These and other evolving missions are just some of the areas into which we hope to continue to expand, keeping Reserve personnel relevant, trained, and ready now when we are called. I'd like to extend my thanks again to the subcommittee for allowing me the opportunity to testify before you here today and for all you do for the Air Force Reserve.

Senator CHAMBLISS. Thank you, General. We don't have to ask for that new headquarters building anymore.

General BATBIE. No, sir. We're half finished right now.

Senator CHAMBLISS. We're getting there now. There you go, and we're proud to have it at Robins, too.

Admiral Totushek, I appreciated the profiles of the individual Naval Reserve sailors that you set forth in your written statement and endorse your description of them as true heroes, because you're absolutely right. I couldn't agree with you more that the ordinary people in the Guard and Reserves certainly do extraordinary things day in and day out.

I asked Secretary Hall this question about the justification for the proposed reduction of 1,900 sailors in the Navy's Selected Reserve personnel for fiscal year 2004, and I'd like your response to that same question. What concerns, if any, do you have about this reduction?

Admiral TOTUSHEK. Senator, I am a little bit concerned that it might be the beginning of a trend that I would not like to see continue. Basically, what happened is, we were doing the POM 2004 deliberations. Navy had started to work with the Marine Corps on Navy/Marine Corps aviation integration. The first steps in that were to do away with a couple of Reserve squadrons, a Naval Reserve squadron and a Marine Corps Reserve squadron. Part of those reductions are as a result of that action. The other parts come from decommissioning of several Reserve platforms that were done over the last couple of years. Those, all totaled, left us with a net reduction. We don't think that is a trend, but we certainly are going to work hard to make sure it's not.

Senator CHAMBLISS. I understand that the Navy and Marine Corps are undertaking a TACAIR integration effort to consolidate the Department of the Navy's F–18 squadrons and prepare the way for the Joint Strike Fighter (JSF). While I applaud the effort to create greater efficiencies and I know that JSF is going to be a great addition to the Air Force, Navy, and Marine Corps, I am concerned about the potential impact on the Naval Air Station at Atlanta, particularly given the unique arrangement we have at Dobbins Air Reserve Base with both Air Force and Navy Reserve personnel and aircraft. The presence of both Services allows us to take advantage of common runways, facilities, and transportation corridors supporting the base.

What can you tell me about how the Department of the Navy is approaching the TACAIR integration effort? Where are you in the process? Are you taking into account existing efficiencies at installations that have multiple operational missions?

Admiral TOTUSHEK. Yes, sir. We are looking at any place we site any of our squadrons to try and make them as joint as possible.

All of our Naval Reserve installations are joint Reserve bases, and we have oftentimes all the Reserve components represented there.

In the case of Robins, the initial reduction was to be one Naval Reserve squadron and one Marine Corps Reserve squadron. We have not yet determined which Naval Reserve squadron that will be. We have undertaken a study at my request at the end game of the POM 2004 submission, because I didn't feel like we had done enough analysis to get us to the right answer of which squadron should go, if at all, because it may turn out, as we get through this process that we're doing with Navy right now, that it would make more sense for us to keep the three Reserve squadrons and do away with an active squadron, for instance.

So those negotiations are ongoing right now. We brief the Vice Chief of Naval Operations within the month, and we'll see where we go from there.

Senator CHAMBLISS. What's your timetable for that? Do you know?

Admiral TOTUSHEK. It'll be done here very quickly, because we need to put it in for PR–05 to make sure that we have the right proposal throughout the FYDP.

Senator CHAMBLISS. Okay.

General McCarthy, in your written statement, you indicate that the Marine Corps Reserve is preparing to create two new security battalions that will provide a dual-use capacity consisting of eight antiterrorism force protection platoons and an augmentation unit for the Marine Corps' Chemical/Biological Instant Response Force (CBIRF). Please explain how these Marine Corps reservists will be augmented into these units, what area will the marines involved come from, and when will the capability be realized.

General MCCARTHY. Senator Chambliss, the security battalions will be stand-alone Marine Corps Reserve units, and the only integrated part of that will be, as you've indicated, the augmentation cell that's a part of one of the security battalions that will go to CBIRF. We anticipate that most of those marines will come from the metropolitan Washington area. They will need to drill and work closely with CBIRF, which is down at Indian Head, Maryland. So the recruiting draw, the best place for us to draw marines for that detachment, will be in the metropolitan Washington area. The rest of the two security battalions will be scattered all over the country. They'll be in about 20 different locations, I think. They will not be a blended or integrated unit; they'll be stand-alone Marine Corps Reserve units.

Senator CHAMBLISS. I'd like each of you to comment on this. Many of our Guard and Reserve members and their families are experiencing extended separation and, in some cases, hardship due to reduced earnings and other factors. The stresses that are currently at work on many active duty and Reserve personnel are severe. We've seen some situations of domestic violence and other types of violent activity on the part of some of our personnel as a result of the heavy stress that they've all been under. What are you doing to ensure that necessary family support services are in place to reach out to all Guard and Reserve family members? How reliant are you on volunteers to perform these outreach efforts?

General Helmly?

General HELMLY. Thank you, Senator.

First of all, in the preparation for a mobilization and deployment we go through an extensive briefing to families, as well as the members. As some of my fellow chiefs have noted, the current mobilization tempo with regard to very short notice has not provided us the amount of time that we would have desired to conduct those activities, but that includes briefings by members of the Chaplain Corps, which explains what happens to spouse groups or to families upon separation. We also provide them briefings before the member returns and coaching. I've sat through these myself. The chaplain members coach the family members, "Expect changes in your spouse and your father and your mother," et cetera.

We're very reliant on volunteers. Probably 99 percent of our family readiness people who do the work, the heavy lifting are volunteers. They are, themselves, family members, loved ones of members of the Army Reserve.

We have about a $4 million shortfall, that we should be able to make up, in staffing support for family readiness. During Operations Desert Shield/Desert Storm, we had virtually no family readiness program in place. Now, it is extensive. It is functioning. It is working.

We are concerned about the stresses that you noted. About 4,000 of our people are on a second consecutive year of mobilization. That adds to that challenge.

I don't want to take up the time from my fellow chiefs, but we are addressing the very issues you cited with regard to the stresses and strains of the separation, and we prepare them on the front end through briefings, through coaching, through pamphlets, and we prepare them on the back end before the member returns home.

Senator CHAMBLISS. Admiral Totushek?

Admiral TOTUSHEK. We didn't do a very good job of this in Operation Desert Storm and we learned a lot from that. After September 11, when it was evident that we were going to start mobilizing a lot of people, we put a lot of time and effort into establishing groups to make sure that we had the support systems in place.

A couple of things I'll highlight. First of all, we do use a lot of volunteers. All of our ombudsmen—and they probably should be called ombudspersons, because we do have women doing it now, as well—are volunteers. They're at the unit level. They're the people that have the information or can get the information so that the family member has a point of contact at every one of our Reserve centers.

We also have fallen in on a Navy system to use a web-enabled product called Family Lines that allows our people to go online and find out the question to virtually anything that they would need to know, including if you want to talk to somebody, some counseling lines, so that you can call and get 24 hours a day of support.

I think the systems have been bolstered very well. I'm very proud of the effort we've taken to make sure that our folks aren't left hanging out there, especially out in the middle of the country where there isn't a base around to get that kind of support.

Senator CHAMBLISS. General McCarthy?

General MCCARTHY. Senator, I'm in exactly the same situation. We are all responding to what we learned 10, 12 years ago. I think

we responded very well. We built a key volunteer network in each unit. We require each unit to have a key volunteer network and a trained key volunteer coordinator. We've just, in the last year or so, started to buttress that in another Marine Corps program called Links, which is a spouse-to-spouse mentoring program, and we're pushing that out in a kind of a ripple effect and have gotten that out fairly well to the force. We still have a lot more work to do on that.

We, like everybody else, depend tremendously on volunteers, on spouses and mothers and fathers to be these key volunteers, and they've responded tremendously. We also require that each unit have an officer, and, upon mobilization, have an officer who is on active duty, to serve as the family readiness officer. That officer becomes a link between the deployed commander and the families back home. We feel that that's been a pretty effective communications tool.

Then the last thing, we were given the opportunity, and jumped at it, to participate in a Department of Defense-sponsored and paid-for effort that is called One Source. One Source is an 800-telephone number program, like civilian employee assistance programs, that enables family members to call in and be referred by telephone to professionals around the country. We're just getting started with that, but the preliminary indications are very good, and I think that's going to be a huge plus for us.

So the proof will be in the pudding when we've been in it a while longer and when people start coming back. But in terms of doing some things proactively, I'm pleased with where we are.

General BATBIE. Sir, like the others, we didn't do very well during Operation Desert Storm. Since that time, we added in a bunch of full-time and part-time people that we can call up. Last year, we called up 29 family support people and brought them to duty along with our full-time people to manage some of these issues.

When the Fort Bragg incidents started happening, we sent our medical folks down there to participate in some of the panels to learn what we could about what was the root cause of those problems. We decided to team up with the medical, the family support, and the chaplain folks to be there when the people started coming home after the major part of Afghanistan was over to try to see if we could short-circuit some of those issues that might pop up. I don't know if it's been successful. We haven't had any major things pop up in the Air Force Reserve since that time.

We have a critical care or critical incident intervention team that we put out there for major things that may happen with the unit, if we have major loss of life or something overseas, and try to get back to the local unit with experts that will come in from the headquarters or from other units to try to short-circuit some of the things that might pop up in that regard.

Senator CHAMBLISS. Okay. Thanks very much.

Senator Nelson?

Senator BEN NELSON. Thank you, Mr. Chairman.

This is just a general question for any of you. As you saw your Reserve airmen, soldiers, and marines being mobilized and as you saw them come into active duty in support of the global war on terrorism, did you find that the current statutory mobilization au-

thorities were adequate? In other words, was the law adequate to permit you to do this, or are there any changes that we might consider as it might relate to what you've learned from the war on terrorism and mobilization there?

General HELMLY. Senator Nelson, if I may, in my judgment the current statutory authorities are adequate. Our implementation of those statutory authorities has, candidly, been flawed and it has resulted in very short notice—in many cases, less then 5 to 10 days' notice. In those cases, the part that bothers me is that I had visibility over those requirements ahead of time; but without the authority, I could not hand a set of orders to the Army Reserve soldier.

Without those official orders, Reserve members are somewhat powerless in terms of official documentation to inform their employer, to go to the issues that you discussed with the first panel on tuition at school, with regard to severing of contracts, rental agreements, leases, placing into abeyance, getting a power of attorney, making those kinds of arrangements to enter active duty and to subsequently deploy.

So that's my judgment, that the authorities and legislation are adequate. We have to move a World War II linear mobilization process to a 21st century model that gives us some flexibility, as my peers noted, down at the working level so that we can make it more predictable for our members and provide them more advanced notice.

Admiral TOTUSHEK. I would agree, Senator Nelson, that General Helmly has it right. The thing I would add is that OSD is working on the process. I don't think anybody's really happy with it, and we are trying to tackle it.

Senator BEN NELSON. Good, thank you.

General MCCARTHY. I adopt entirely the statement of General Helmly. The only point I would make in addition is, I'd give the administration great credit for going to partial mobilization when they did, rather than trying to go through the PSRC sort of a stairstep process. That enabled us to mobilize people from the Individual Ready Reserve, which was a big help, and I think was the right call under the circumstances. We do have some execution work to do.

General BATBIE. I can't disagree with anything that's been said, but I would point out one thing. We learned during this mobilization that it's additive up to the 2-year mark, so you can call reservists for 2 months now, let them off, call them 2 months next year and up to 2 years. We're starting to get into that a little bit, but I don't know what kind of long-range effect that would have if we did that over an extended period.

Senator BEN NELSON. Thank you.

Thank you, Mr. Chairman.

Senator CHAMBLISS. Thank you.

We just had another vote called, so we're going to call this hearing to a conclusion.

I appreciate the testimony of all of our witnesses today. It's been an excellent review of critical issues that are of concern to us every day as we prepare for what is going to be an extended war.

We'll keep your comments and concerns in mind as we review the Fiscal Year 2004 Defense Authorization Request, and I look forward to working with you and thank you for your participation today.

We do have all of the statements of the respective witnesses. They will be entered into the record. They're very informative, and we'll consider those as we move forward.

I'd also like to enter into the record a GAO report titled "Preliminary Observations Related to Income, Benefits, and Employer Support for Reservists During Mobilizations." This GAO report was just released today, Wednesday, March 19, 2003.

[The information referred to follows:]

PRELIMINARY OBSERVATIONS RELATED TO INCOME, BENEFITS, AND EMPLOYER SUPPORT FOR RESERVISTS DURING MOBILIZATIONS

PREPARED BY DEREK B. STEWART

Mr. Chairman and members of the subcommittee: We are pleased to have the opportunity to comment on Reserve personnel income, benefits, and employer support. My remarks focus on the more than 870,000 "selected" reservists [1] who generally drill and train part-time with their military units (referred to in this testimony as drilling unit members). These reservists may be involuntarily called to Federal active duty under various provisions of law. They may also be placed voluntarily on active duty for training and other purposes. Since the 1991 Persian Gulf War, reservists have been mobilized or deployed to a number of contingency operations, including Operations Noble Eagle and Enduring Freedom and operations in Kosovo, Bosnia, Southwest Asia, and Haiti. As of early March 2003, 193,270 reservists were supporting current contingency operations.

Citing the increased use of the Reserves to support military operations, House Report 107–436 accompanying the Fiscal Year 2003 National Defense Authorization Act directed us to review compensation and benefit programs for reservists. Our review is ongoing, but today I would like to present preliminary observations based on our review in three areas: (1) income protection for reservists called to active duty, (2) family support programs, and (3) health care access.[2] All three of these issues are potential areas of concern to a reservist called to active duty for a contingency operation. We plan to issue a final report on these three issues later this year. In addition, you have asked us to discuss the results of our recently completed review concerning employer support for reservists, another potential area of concern to mobilized or deployed reservists.[3] Finally, Mr. Chairman, while the legislation directed us to review the retirement system for the Reserves, we have not yet begun that work. As discussed with your offices, we plan to review the Reserve retirement system in the future. While we have not conducted a detailed review of this issue, I would like to offer some observations.

Before discussing these issues in more detail, I would like to note that one of the Department of Defense's (DOD) guiding principles for military compensation is that servicemembers—both reservists and active component members—be treated fairly. Military compensation for reservists is affected by the type of military duty they perform. In peacetime—when a reservist is on active duty for training or on military duty not related to a contingency operation—certain thresholds are imposed at particular points in service before a reservist is eligible to receive the same compensation as a member serving full-time. For contingency operations, these same thresholds generally do not apply. Reservists activated for contingency operations such as Operation Noble Eagle and Operation Enduring Freedom are generally eligible to receive the same compensation and benefits as active component personnel. I should also note here that in a recent report comparing the benefits offered by the military

[1] Unless specified, we use the terms "reserves" and "reservists" to refer to the collective forces of the Air National Guard, Army National Guard, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, and the Air Force Reserve. We did not include the Coast Guard Reserve in our review.

[2] We plan to address compensation issues in other reviews. For example, we have an ongoing review of special and incentive pays for reservists who perform duty in the polar regions.

[3] U.S. General Accounting Office, *Reserve Forces: DOD Actions Needed to Better Manage Relations between Reservists and Their Employers,* GAO–02–608 (Washington, DC: June 13, 2002).

with those offered in the private sector, we found no significant gaps in the benefits available to military personnel.[4]

To date, we have met with and gathered information from DOD officials in the Office of the Assistant Secretary of Defense for Reserve Affairs, the Office of Military Compensation, the Office of Family Policy, the National Guard Bureau, the Army National Guard, the Air National Guard, the Army Reserve, the Air Force Reserve, the Naval Reserve, the Marine Corps Reserve, the TRICARE Management Activity, the National Committee for Employer Support of the Guard and Reserve, and other organizations. We obtained the results and DOD's preliminary analysis of the 2000 Survey of Reserve Component Personnel.[5] We reviewed DOD proposals concerning income loss. We also reviewed DOD's progress in implementing recommendations that we made in prior reports.

Let me turn now to the specific issues.

SUMMARY

The preliminary results of our review indicate that reservists experience widely varying degrees of income loss or gain when they are called up for a contingency operation. While income loss data for current Operations Noble Eagle and Enduring Freedom were not available, data for past military operations show that 41 percent of drilling unit members reported income loss, while 30 percent reported no change and 29 percent reported an increase in income. This information is based on self-reported survey data for mobilizations or deployments of varying lengths of time. DOD's analysis of the data shows that, as would be expected, certain groups, such as medical professionals in private practice, tend to report much greater income loss than the average estimated for all reservists.

Although reservists called up to support a contingency operation are generally eligible for the same family support and health care benefits as active component personnel, reservists and their families face challenges in understanding and accessing their benefits. Among the challenges, reservists typically live farther from military installations than their active duty counterparts, are not part of the day-to-day military culture, and may change benefit eligibility status many times throughout their career. Some of these challenges are unique to reservists; others are also experienced by active component members but may be magnified for reservists. Outreach to reservists and their families is likely to remain a continuing challenge for DOD in the areas of family support and health care. We will continue to look at DOD's outreach efforts as we complete our study.

Outreach is also a critical component of maintaining and enhancing employers' support for reservists. Although DOD has numerous outreach efforts in this area, we found that a sizable number of reservists and employers were unsure about their rights and responsibilities. For example, a 1999 DOD survey found that 31 percent of employers were not aware of laws protecting reservists. Our recent work has shown that several factors, such as the lack of data on reservists' employers, have hampered DOD's outreach efforts to both employers and reservists. However, DOD is taking positive actions in this area, such as moving ahead with plans to collect employer data from all Reserve personnel.

Reservists have identified income loss, family burdens, and employer support as serious concerns during prior mobilizations and deployments. However, it is unclear how the problems reservists experience in these areas affect their overall satisfaction with military life and, ultimately, their decision to stay in the military or leave.

BACKGROUND

Since the end of the Cold War, there has been a shift in the way Reserve forces have been used. Previously, reservists were viewed primarily as an expansion force that would supplement Active Forces during a major war. Today, reservists not only supplement but also replace Active Forces in military operations worldwide.[6] In fact, DOD has stated that no significant operation can be conducted without Reserve in-

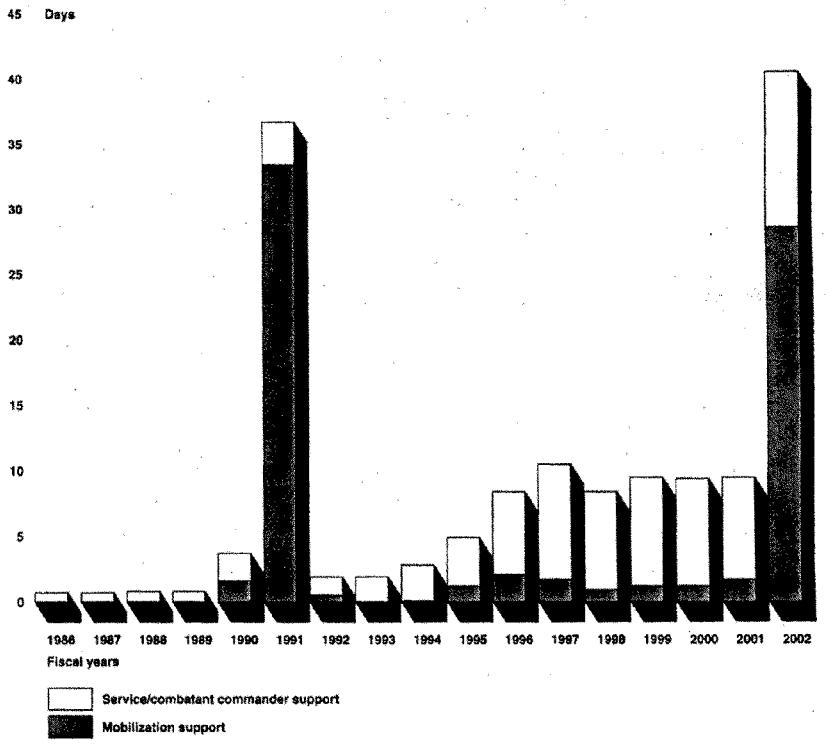
[4] U.S. General Accounting Office, *Military Personnel: Active Duty Benefits Reflect Changing Demographics, but Opportunities Exist to Improve,* GAO–02–935 (Washington, DC: Sept. 18, 2002).

[5] The population of interest targeted by the survey consisted of all Selected Reserve members of the Reserve components below flag or general officer rank, with at least 6 months of service when the surveys were first mailed in August 2000. The sample consisted of 74,487 members. Eligible respondents returned 35,223 completed surveys.

[6] The average reservist trains 38 or 39 days per year. In addition to this training, some reservists provide support for counter-drug operations, domestic emergencies, exercises, and established and emerging operations, including those involving either presidential call-ups or mobilizations.

volvement. As shown in figure 1, Reserve participation in military operations spiked in fiscal years 1991 (Operations Desert Shield and Desert Storm) and 2002 (Operations Noble Eagle and Enduring Freedom).

Figure 1: Annual Number of Days Per Capita for Reserve Mobilizations and Support to the Services and Combatant Commands (Fiscal Years 1986-2002)



Source: GAO.

Notes: Analysis of Office of the Assistant Secretary of Defense for Reserve Affairs data.

This figure includes the contributions of the Coast Guard Reserve.

Mobilizations are operations using the Presidential Selected Reserve Call-up or mobilization authorities. Support of the services or combatant commands is mission assistance provided under voluntary orders and includes both contingency operations and other missions. The figure excludes days for training as well as support for counter-drug operations, exercises, and domestic emergencies.

Per capita calculations are derived by dividing the total days of support for these missions by the end strength of the Selected Reserve. However, force structure within the selected reserves qualifies only a portion of those available to serve for a particular mission. Despite this, the data highlight trends in the average number of support days served by reservists.

There have been wide differences in the operational tempos[7] of individual reservists in certain units and occupations. Prior to the current mobilization, personnel in the fields of aviation, special forces, security, intelligence, psychological operations, and civil affairs were in high demand, experiencing operational tempos that were two to seven times higher than those of the average reservist. Since September

[7] For this testimony, operational tempo refers to the total days reservists spend participating in normal drills, training, and exercises, as well as domestic and overseas operational missions.

2001, operational tempos have increased significantly for reservists in all of DOD's Reserve components due to the partial mobilization in effect to support Operations Noble Eagle and Enduring Freedom.

For each year between fiscal years 1997 and 2002, the Reserves on the whole achieved at least 99 percent of their authorized end strength. In 4 of these 6 years, they met at least 100 percent of their enlistment goals. During this time period, enlistment rates fluctuated from component to component. Overall attrition rates have decreased for five of DOD's six Reserve components.[8] Between fiscal years 1997 and 2002, only the Army National Guard experienced a slight overall increase in attrition. The attrition data suggest there has not been a consistent relationship between a component's average attrition rate for a given year and the attrition rate for that component's high demand capabilities (which include units and occupations). Attrition rates for high demand capabilities were higher than average in some cases but lower for others. Aviation in the Army National Guard, for instance, has had higher than average attrition for 4 of the 5 years it was categorized as a high demand capability.

RESERVISTS HAVE REPORTED WIDELY VARYING DEGREES OF INCOME LOSS OR GAIN

Preliminary analysis of income changes reported by reservists who mobilized or deployed for past military operations indicates that they experienced widely varying degrees of income loss or gain. The source for this analysis is DOD's 2000 Survey of Reserve Component Personnel, which predates the mobilization that began in September 2001. The data show that 41 percent of drilling unit members reported income loss during their most recent mobilization or deployment, while 30 percent reported no change and 29 percent reported an increase in income (see table 1).

TABLE 1: DRILLING UNIT MEMBERS' TOTAL REPORTED CHANGE IN INCOME FOR MOBILIZATIONS OR DEPLOYMENTS PRIOR TO 2001

Income change	Percentage
Decreased $50,000 or more	0.9
Decreased $25,000 to $49,999	1.5
Decreased $10,000 to $24,999	4.1
Decreased $5,000 to $9,999	6.0
Decreased $2,500 to $4,999	8.9
Decreased $1 to $2,499	19.5
No change in income	30
Increased $1 to $2,499	16.6
Increased $2,500 to $4,999	6.8
Increased $5,000 or more	5.7

Source: DOD 2000 Reserve Component Survey

Based on the survey data, DOD estimated that the average total income change for all members (including losses and gains) was almost $1,700 in losses. This figure should be considered with caution because of the estimating methodology that was used and because it is unclear what survey respondents considered as income loss or gain in answering this question.[9] Further, reservists are mobilized or deployed for varying lengths of time, which can affect their overall income loss or gain. About 3 percent of all reservists who had at least one mobilization or deployment had been mobilized or deployed for less than 1 month. For the entire population, members spent an estimated 3.6 months mobilized or deployed for their most recent mobilization.

DOD's preliminary analysis of the survey data show that certain groups reported greater losses of income on average. Self-employed reservists reported an average income loss of $6,500. Physicians/registered nurses, on the whole, reported an average income loss of $9,000. Physicians/registered nurses in private practice reported an average income loss of $25,600. Income loss also varied by Reserve component and pay grade group. Average self-reported income loss ranged from $600 for members of the Air National Guard up to $3,800 for Marine Corps Reservists. Senior officers reported an average income loss of $5,000 compared with $700 for junior en-

[8] Attrition is the total number of personnel losses from the selected Reserves divided by the average selected Reserve end strength for the year.

[9] The 2000 survey asked respondents: "Please estimate your (and your spouse's) total income change from all sources as a result of your most recent mobilization and deployment. *If you (and your spouse) have continuing losses from a business or practice, include those in your estimate.*"

listed members. When asked to rank income loss among other problems they have experienced during mobilization or deployment, about half of drilling unit members ranked it as one of their most serious problems.[10] DOD's preliminary analysis presents little data on those groups who reported overall income gain. Two groups who were identified as reporting a gain were clergy and those who worked for a family business without pay.

Concerns were raised following the 1991 Gulf War that income loss would adversely affect retention of reservists. According to a 1991 DOD survey of reservists activated during the Gulf War, economic loss was widespread across all pay grades and military occupations. In response to congressional direction,[11] DOD in 1996 established the Ready Reserve Mobilization Income Insurance Program, an optional, self-funded income insurance program for members of the Ready Reserve ordered involuntarily to active duty for more than 30 days. Reservists who elected to enroll could obtain monthly coverage ranging from $500 to $5,000 for up to 12 months within an 18-month period. Far fewer reservists than DOD expected enrolled in the program. Many of those who enrolled were activated for duty in Bosnia and, thus, entitled to almost immediate benefits from the program. The program was terminated in 1997 after going bankrupt. We reported in 1997 that private sector insurers were not interested in underwriting a Reserve income mobilization insurance program due to concerns about actuarial soundness and unpredictability of the frequency, duration, and size of future call-ups.[12] Certain coverage features would violate many of the principles that private sector insurers usually require to protect themselves from adverse selection. These include voluntary coverage and full self-funding by those insured, the absence of rates that differentiated between participants based on their likelihood of mobilization, the ability to choose coverage that could result in full replacement of their lost income rather than those insured bearing some loss, and the ability to obtain immediate coverage shortly before an insured event occurred. According to DOD officials, private sector insurers remain unsupportive of a new Reserve income insurance mobilization program and the amount of Federal underwriting required for the program is prohibitive. The Department has no plans to implement a new mobilization insurance program.

A 1998 study by RAND found that income loss, while widespread during the Gulf War, did not have a measurable effect on enlisted retention.[13] The study was cautiously optimistic that mobilizing the Reserves under similar circumstances in the future would not have adverse effects on recruiting and retention. However, the effects of future mobilizations can depend on the mission, the length of time reservists are deployed, the degree of support from employers and family members, and other factors.

Certain Federal protections, pay policies, and employer practices can help to alleviate financial hardship during deployment. For example, the Soldiers' and Sailors' Civil Relief Act caps debt interest rates at 6 percent annually. Income that servicemembers earn while mobilized in certain combat zones is tax-free. For certain operations, DOD also authorized reservists to receive both full housing allowances and per diem for their entire period of activation. In addition, some employers make up the difference between civilian and military pay for their mobilized employees. This practice varies considerably among employers. Servicemembers can also obtain emergency assistance in the form of interest-free loans or grants from service aid societies to pay for basic living expenses such as food or rent during activation. DOD is exploring debt management alternatives, such as debt restructuring and deferment of principle and interest payments, as ways to address income loss. The Army has proposed a new special pay targeting critical health care professionals in the Reserves who are in private practice and are deployed involuntarily beyond the established rotational schedule.

RESERVISTS AND THEIR FAMILIES FACE CHALLENGES IN UNDERSTANDING AND ACCESSING FAMILY SUPPORT SERVICES

Reservists who have been activated for previous contingency operations have expressed concerns about the additional burdens placed on their families while they are gone. More than half of all reservists are married and about half have children

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[10] The survey listed 22 possible problems and asked respondents to choose their top 3 most serious problems experienced during mobilization or deployment.

[11] See section 512, National Defense Authorization Act for Fiscal Year 1996 (P.L. 104–106, Feb. 10, 1996).

[12] U.S. General Accounting Office, Reserve Forces: *Observations on the Ready Reserve Mobilization Income Insurance Program, GAO/T–NSIAD–97–154 (Washington, DC: May 8, 1997).*

[13] RAND, *The Effect of Mobilization on Retention of Enlisted Reservists After Operation Desert Shield/Storm,* MR–943–OSD (1998). The study did not include officers.

or other legal dependents. According to the 2000 survey, among the most serious problems reservists said they experienced when mobilized or deployed are the burden placed on their spouse and problems created for their children.

The 1991 Gulf War was a milestone event that highlighted the importance of Reserve family readiness. Lessons learned showed that families of activated reservists, like their active duty counterparts, may need assistance preparing wills, obtaining power of attorney, establishing emergency funds, and making child care arrangements. They may also need information on benefits and entitlements, military support services, and information on their reemployment rights. DOD has recognized that family attitudes affect Reserve member readiness, satisfaction with Reserve participation, and retention. Military members who are preoccupied with family issues during deployments may not perform well on the job, which in turn, negatively affects the mission. Research has shown that families of reservists who use family support services and who are provided information from the military cope better during activations. Under a 1994 DOD policy, the military services must "ensure National Guard and Reserve members and their families are prepared and adequately served by their services' family care systems and organizations for the contingencies and stresses incident to military service."

Although activated reservists and their family members are eligible for the same family support services as their active duty counterparts, they may lack knowledge about or access to certain services. The 2000 DOD survey suggests that more than half of all reservists either believe that family support services are not available to them or do not know whether such services are available. Table 2 shows drilling unit members' responses on the availability of selected programs and services.

Table 2: Reservists' Views on Availability of Selected Family Support Programs or Services

Percentage of drilling unit members			
Program/service	**Available off installation, on installation or both**	**Not available**	**Don't know**
Services for families during separation	25	13	62
Crisis referral services	15	17	68
Financial counseling/management education	22	16	61
Family support centers	35	14	51

Source: DOD 2000 Reserve Component Survey

Note: Rows may not add to 100 percent due to rounding.

According to DOD officials, Operations Noble Eagle and Enduring Freedom have highlighted the fact that not all Reserve families are prepared for potential mobilization and deployment. They told us that since many families never thought their military members would be mobilized, families had not become involved in their family readiness networks. DOD has found that the degree to which reservists are aware of family support programs and benefits varies according to component, unit programs, command emphasis, Reserve status, and the willingness of the individual member to receive or seek out information. Results from the 2000 DOD survey show that about one-fourth of drilling unit members said their arrangements for their dependents were not realistically workable for deployments lasting longer than 30 days. Furthermore, about 4 of every 10 drilling unit members thought it was unlikely or very unlikely that they would be mobilized or deployed in the next 5 years. Again, this survey predates the events of September 11, 2001, and the ensuing mobilization.

Among the key challenges in providing family support are the long distances that many reservists live from installations that offer family support services, the difficulty in persuading reservists to share information with their families, the unwillingness of some reservists and their families to take the responsibility to access available information, conflicting priorities during drill weekends that limit the time spent on family support, and a heavy reliance on volunteers to act as liaisons be-

tween families and units. In 2000, about 40 percent of drilling unit members lived 50 miles or farther from their home units.

DOD has recognized the need for improved outreach and awareness. For example, the Department has published benefit guides for reservists and family members and has enhanced information posted on its Web sites. DOD published a "Guide to Reserve Family Member Benefits" that informs family members about military benefits and entitlements and a family readiness "tool kit" to enhance communication about pre-deployment and mobilization information among commanders, servicemembers, family members, and family program managers. Each Reserve component also established family program representatives to provide information and referral services, with volunteers at the unit level providing additional assistance. The U.S. Marine Corps began offering an employee assistance program in December 2002 to improve access to family support services for Marine Corps servicemembers and their families who reside far from installations. Through this program, servicemembers and their families can obtain information and referrals on a number of family issues, including parenting; preparing for and returning from deployment; basic tax planning; legal issues; and stress. Notwithstanding these efforts, we believe, based on our review to date, that outreach to reservists and their families will likely remain a continuing challenge for DOD.

CHALLENGES IN ACCESSING DOD HEALTH CARE BENEFITS ARE MAGNIFIED FOR RESERVISTS

Reservists who are mobilized for a contingency operation are confronted with health care choices and circumstances that are more complex than those faced by active component personnel. Reservists' decisions are affected by a variety of factors—whether they or their spouses have civilian health coverage, the amount of support civilian employers would be willing to provide with health care premiums, and where they and their reservists dependents live. If dependents of reservists encounter increased future difficulties in maintaining their civilian health insurance due to problems associated with longer mobilizations and absence from civilian employment, they may rely on DOD for their health care benefits to a greater degree than they do today.

When activated for a contingency operation, reservists and their dependents are eligible for health care benefits under TRICARE, DOD's managed health care program. TRICARE offers beneficiaries three health care options: Prime, Standard, and Extra. TRICARE Prime is similar to a private HMO plan and does not require enrollment fees or co-payments. TRICARE Standard, a fee-for-service program, and TRICARE Extra, a preferred provider option, require co-payments and annual deductibles. None of these three options require reservists to pay a premium. Benefits under TRICARE are provided at more than 500 military treatment facilities worldwide, through a network of TRICARE-authorized civilian providers, or through non-network physicians who will accept TRICARE reimbursement rates.

Reservists who are activated for 30 days or less are entitled to receive medical care for injuries and illnesses incurred while on duty. Reservists who are placed on active duty orders for 31 days or more are automatically enrolled in TRICARE Prime and receive most care at a military treatment facility. Family members of reservists who are activated for 31 days or more may obtain coverage under TRICARE Prime, Standard, or Extra.[14] Family members who participate in Prime obtain care at either a military treatment facility or through a network provider. Under Standard or Extra, beneficiaries must use either a network provider or a non-network physician who will accept TRICARE rates.

Upon release from active duty that extended for at least 30 days, reservists and their dependents are entitled to continue their TRICARE benefits for 60 days or 120 days, depending on the members' cumulative active duty service time. Reservists and their dependents may also elect to purchase extended health care coverage for a period of at least 18, but no more than 36, months under the Continued Health Care Benefit Program.

Despite the availability of DOD health care benefits with no associated premium, many Reserve family members elect to maintain their civilian health care insurance during mobilizations. In September 2002, we reported that, according to DOD's 2000 survey, nearly 80 percent of reservists reported having health care coverage when

[14] Until last week, family members of reservists generally became eligible for Prime when the reservist was activated for 179 days or more. Legislation passed in December (P.L. 107–314, Sec. 702) made family members of reservists activated for more than 30 days eligible for the Prime benefit if they reside more than 50 miles, or an hour's driving time, from a military treatment facility. Last week, the Defense Department altered TRICARE policy such that all family members of reservists activated for more than 30 days are eligible for the Prime benefit.

they were not on active duty. Of reservists with civilian coverage, about 90 percent maintained it during their mobilization.[15] Reservists we interviewed often told us that they maintained this coverage to better ensure continuity of health benefits and care for their dependents. Many reservists who did drop their civilian insurance and whose dependents did use TRICARE reported difficulties moving into and out of the system, finding a TRICARE provider, establishing eligibility, understanding TRICARE benefits, and knowing where to go for assistance when questions and problems arose. While Reserve and active component beneficiaries report similar difficulties using the TRICARE system, these difficulties are magnified for reservists and their dependents. For example, 75 percent of reservists live more than 50 miles from military treatment facilities, compared with 5 percent of active component families. As a result, access to care at military treatment facilities becomes more challenging for dependents of reservists than their active component counterparts.

Unlike active component members, reservists may also transition into and out of TRICARE several times throughout a career. These transitions create additional challenges in ensuring continuity of care, reestablishing eligibility in TRICARE, and familiarizing or re-familiarizing themselves with the TRICARE system. Reservists are also not part of the day-to-day military culture and, according to DOD officials, generally have less incentive to become familiar with TRICARE because it becomes important to them and their families only if they are mobilized. Furthermore, when reservists are first mobilized, they must accomplish many tasks in a compressed period. For example, they must prepare for an extended absence from home, make arrangements to be away from their civilian employment, obtain military examinations, and ensure their families are properly registered in the Defense Enrollment Eligibility Reporting System (DOD's database system maintaining benefit eligibility status). It is not surprising that many reservists, when placed under condensed time frames and high stress conditions, experience difficulties when transitioning to TRICARE.

We recommended in September 2002 that DOD (1) ensure that reservists, as part of their ongoing readiness training, receive information and training on health care coverage available to them and their dependents when mobilized and (2) provide TRICARE assistance during mobilizations targeted to the needs of reservists and their dependents. DOD has added information targeted at reservists to its TRICARE Web site and last month, in response to our recommendation, developed a TRICARE Reserve communications plan aimed at outreach and education of reservists and their families.

The TRICARE Web site is a robust source of information on DOD's health care benefits. The Web site contains information on all TRICARE programs, TRICARE eligibility requirements, briefing and brochure information, location of military treatment facilities, toll free assistance numbers, network provider locations, and other general network information, beneficiary assistance counselor information, and enrollment information. There is also a section of the Web site devoted specifically to reservists, with information and answers to questions that reservists are likely to have. Results from DOD's 2000 survey show that about 9 of every 10 reservists have access to the Internet.

The TRICARE Reserve communications plan's main goals are to educate reservists and their family members on health care and dental benefits available to them and to engage key communicators in the active and Reserve components. The plan identifies a number of tactics for improving how health care information is delivered to reservists and their families. Materials are delivered through direct mailing campaigns, fact sheets, brochures, working groups, and briefings to leadership officials who will brief reservists and to reservists themselves. The plan identifies target audiences and key personnel for information delivery and receipt. The plan identifies methods of measurement which will assist in identifying the degree information is being requested and received. We plan to look at the TRICARE Reserve communications plan in more detail as we continue our study.

Under DOD authorities in the National Defense Authorization Acts for 2000 and 2001, DOD instituted several demonstration programs to provide financial assistance to reservists and family members. For example, DOD instituted the TRICARE Reserve Component Family Member Demonstration Project to reduce TRICARE costs and assist dependents of reservists in maintaining relationships with their current health care providers. Participants are limited to family members of reservists mobilized for Operations Noble Eagle and Enduring Freedom. The demonstration project eliminates the TRICARE deductible and the requirement that depend-

[15] U.S. General Accounting Office, *Defense Health Care: Most Reservists Have Civilian Health Coverage but More Assistance Is Needed When TRICARE Is Used,* GAO–O2–829 (Washington, DC. Sept. 6, 2002).

ents obtain statements saying that inpatient care is not available at a military treatment facility before they can obtain non-emergency treatment from a civilian hospital. In addition, DOD may pay a non-network physician up to 15 percent more than the current TRICARE rate. As we continue our study, we plan to review the results of the demonstration project and its impact on improving health care for reservists' family members.

DOD ACTIONS NEEDED TO BETTER MANAGEMENT RELATIONS BETWEEN RESERVISTS AND THEIR EMPLOYERS

Most reservists have civilian jobs. The 2000 survey shows that 75 percent of drilling unit members worked full-time in a civilian job.[16] Of those with civilian jobs, 30 percent of reservists worked for government at the Federal, State, or local level; 63 percent worked for a private sector firm; and 7 percent were self-employed or worked without pay in their family business or farm. The 2000 survey shows that one of the most serious problems reported by reservists in previous mobilizations and deployments was hostility from their supervisor. It should be noted, however, that many employers changed company policies or added benefits for deployed reservists after September 11, 2001. In a small nonprojectable sample of employers, we found that more than half provided health care benefits and over 40 percent provided pay benefits that are not required by the Uniformed Services Employment and Reemployment Rights Act of 1994.[17]

Maintaining employers' continued support for their reservist employees will be critical if DOD is to retain experienced reservists in these times of longer and more frequent deployments. DOD has activities aimed at maintaining and enhancing employers' support for reservists. The National Committee for Employer Support of the Guard and Reserve serves as DOD's focal point in managing the Department's relations with reservists and their civilian employers. Two specific functions of this organization are to (1) educate reservists and employers concerning their rights and responsibilities and (2) mediate disputes that may arise between reservists and their employers.

Although DOD has numerous outreach efforts, we have found that a sizable number of reservists and employers were unsure about their rights and responsibilities. For example, a 1999 DOD survey found that 31 percent of employers were not aware of laws protecting reservists. In a recent report, we listed several factors that have hampered DOD's outreach efforts to both employers and reservists.[18] DOD has lacked complete information on who reservists' employers are; it does not know the full extent of problems that arise between employers and reservists; and it has no assurance that its outreach activities are being implemented consistently. We recommended that DOD take a number of actions to improve the effectiveness of outreach programs and other aspects of reservist-employer relations.

DOD concurred with most of these recommendations and has taken some actions. Most notably, DOD is moving ahead with plans to collect employer data from all of its Reserve personnel. The data, if collected as planned, should help DOD inform all employers of their rights and obligations, identify employers for recognition, and implement proactive public affairs campaigns. However, DOD has not been as responsive to our recommendation that the Services improve their compliance with DOD's goal of issuing orders 30 days in advance of deployments so that reservists can notify their employees promptly. While our recommendation acknowledged that it will not be possible to achieve the 30-day goal in all cases, our recommendation was directed at mature, ongoing contingency mobilization requirements, such as the requirements that have existed in Bosnia since 1995. We believe that DOD needs to return to its 30-day goal following the current crisis or it will risk losing employer support for its Reserve Forces.

I would like to take a moment, Mr. Chairman, to address the issue of reservists who are students. Almost one-fourth of drilling unit members responding to DOD's 2000 survey said they were currently in school. While DOD has an active program to address problems that arise between reservists and their civilian employers, there is no Federal statute to protect students. Student members of the Reserves are not guaranteed refunds of tuition and fees paid for the term they cannot complete, and there is no Federal statute for partial course credit or the right to return to the college or university upon completion of active service. Based on our recent work, we recommended that DOD add students as a target population to the mission and responsibilities of the National Committee for Employer Support of the Guard and Re-

[16] This figure does not include reservists who work as civilian military technicians.
[17] Pub. L. 103–353 (Oct. 13, 1994), 38 U.S.C. secs. 4301–4333.
[18] GAO–02–608.

serve, study in depth the problems related to deployments that student reservists have experienced, and determine what actions the National Committee for Employer Support of the Guard and Reserve might take to help students and their educational institutions. We feel DOD is giving this issue an appropriate amount of attention given its resources. Employer Support of the Guard and Reserve volunteers are directing students to available resources and the Office of the Assistant Secretary of Defense for Reserve Affairs has added student information and hyperlinks to its official Web site. One available resource, for example, is the Servicemembers Opportunity Colleges, which has volunteered to mediate any disputes that arise between reservists and their schools.[19] In addition, 12 States have enacted laws or policies to protect student reservists since our report was issued last June, making a current total of 15 States with such laws or policies.

OBSERVATIONS ON RESERVE RETIREMENT AGE

The current Reserve retirement system dates back to 1948 with the enactment of the Army and Air Force Vitalization and Retirement Equalization Act.[20] The act established age 60 as the age at which Reserve retirees could start drawing their retirement pay. At the time the act was passed, age 60 was the minimum age at which Federal civil service employees could voluntarily retire. Active component retirees start drawing their retirement pay immediately upon retirement.

Several proposals have been made to change the Reserve retirement eligibility age. In 1988, the 6th Quadrennial Review of Military Compensation concluded that the retirement system should be changed to improve retention of mid-career personnel and encourage reservists who lack promotion potential or critical skills to voluntarily leave after 20 years of service. The study recommended a two-tier system that gives Reserve retirees the option of electing to receive a reduced annuity immediately upon retirement or waiting until age 62 to begin receiving retirement pay. Recent legislative proposals have called for lowering the retirement pay eligibility age from 60 to 55, establishing a graduated annuity, or establishing an immediate annuity similar to that in the active duty military retirement system.

Mr. Chairman, I would like to make two observations about reforming the Reserve retirement system.

First, equity between reservists and active duty personnel is one consideration in assessing competing retirement systems, but it is not the only one. Other important considerations are the impact of the retirement system on the age and experience distribution of the force, its ability to promote flexibility in personnel management decisions and to facilitate integration between the active and Reserve components, and the cost. Changes to the retirement system could prove to be costly. Last year, the Congressional Budget Office estimated that lowering the retirement pay eligibility age from age 60 to 55 would cost $26.6 billion over 10 years.

Second, DOD currently lacks critical data needed to assess alternatives to the existing retirement system. According to a 2001 study conducted for the 9th Quadrennial Review of Military Compensation,[21] DOD should (1) assess whether the current skill, experience, and age composition of the Reserves is desirable and, if not, what it should look like now and in the future and (2) develop an accession and retention model to evaluate how successful varying combinations of compensation and personnel management reforms would be in moving the Reserves toward that preferred composition. DOD has contracted with RAND and the Logistics Management Institute to study military retirement. RAND will review alternative military retirement systems recommended by past studies, develop a model of active and Reserve retirement and retention, analyze their likely effects on the retirement benefits that individuals can expect to receive, and identify and analyze the obstacles and issues pertaining to the successful implementation and therefore the viability of these alternatives. The Logistics Management Institute will assess alternative retirement systems with a focus on portability, vesting, and equity. These studies are looking at seven alternatives to the Reserve retirement system. Preliminary results from these studies are expected later this year. As discussed with your offices, we plan to review the Reserve retirement system in the future.

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[19] The Servicemembers Opportunity Colleges is a consortium of national higher education associations and more than 1,500 colleges. The organization helps to coordinate postsecondary educational opportunities for servicemembers through voluntary programs that are funded by the military services.

[20] June 29, 1948, ch. 708, 62 stat. 1081.

[21] RAND, *Reforming the Reserve Retirement System,* PM–1278–NDRI (Dec. 2001).

Contacts and Acknowledgments

For future questions about this statement, please contact Derek B. Stewart at (202) 512–5140 (e-mail address: stewartd@gao.gov) or Brenda S. Farrell at (202) 512–3604 (e-mail address: farrellb@gao.gov). Individuals making key contributions to this statement include Christopher E. Ferencik, Michael Ferren, Thomas W. Gosling, Chelsa L. Kenney, Krislin M. Nalwalk, and Timothy Wilson.

Senator CHAMBLISS. Gentlemen, once again, thank you for your splendid service to our country. We appreciate your being here today.

This hearing is adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR LINDSEY O. GRAHAM

COMPENSATION PACKAGE

1. Senator GRAHAM. Secretary Hall, is it time to revisit the overall compensation package (pay, health, retirement incentives, tax) in light of the new post September 11 operation tempo?

Secretary HALL. Yes, we believe it is. The Department has examined a number of compensation issues over the past 2 years in the context of our Military Human Resources Strategic Plan, and as part of our review of Reserve Component Contributions to National Defense. Based on preliminary results of our examination, and at the request of this committee, we have begun an internal review of Reserve compensation issues. In addition, we have contracted for a separate study by RAND of the Reserve retirement system. We expect initial results from these studies in the late summer and early fall of this year.

EFFECTS ON RECRUITING AND RETENTION

2. Senator GRAHAM. Secretary Hall, how has the increased tempo affected recruiting and retention?

Secretary HALL. To date, we have seen no significant negative effects of the post-September 11 use of our Reserve components on recruiting and retention. All of the Reserve components achieved their recruiting and strength objectives for 2002. Attrition for 2002 was low but some of this is attributable to Stop Loss that was in effect for much of the year. 2003, year-to-date, provides a better indication of the effects of mobilization on attrition, since most Stop Loss was lifted during the first quarter. We see that attrition for the first part of this year is comparable with previous years and well within acceptable limits. All of the Reserve components are exceeding their end strength objectives year-to-date, and in the aggregate, they have achieved 97 percent of their recruiting goals. However, recruiting and strength management continue to present challenges, and we must be diligent in watching for trends in both recruiting and retention.

[Whereupon, at 5:11 p.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2004

THURSDAY, MARCH 27, 2003

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

COMPENSATION FOR DISABLED MILITARY RETIREES

The subcommittee met, pursuant to notice, at 2:30 p.m. in room SH–216, Hart Senate Office Building, Senator Saxby Chambliss (chairman of the subcommittee) presiding.

Committee members present: Senators Collins, Chambliss, E. Benjamin Nelson, and Pryor.

Also present: Senator Harry Reid.

Majority staff members present: Patricia L. Lewis, professional staff member; and Richard F. Walsh, counsel.

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

Staff assistants present: Michael N. Berger, Jennifer Key, and Sara R. Mareno.

Committee members' assistants present: James P. Dohoney, Jr., assistant to Senator Collins; James W. Irwin and Clyde A. Taylor IV, assistants to Senator Chambliss; Eric Pierce, assistant to Senator Ben Nelson; and Terri Glaze and Walter Pryor, assistants to Senator Pryor.

OPENING STATEMENT OF SENATOR SAXBY CHAMBLISS, CHAIRMAN

Senator CHAMBLISS. Good afternoon. The subcommittee will come to order. The subcommittee meets today to receive testimony on compensation for disabled military retirees in review of the National Defense Authorization Act for Fiscal Year 2004. Today, we are very much aware of the peril our military men and women are facing in Operation Iraqi Freedom. Our thoughts and prayers go out to all our military personnel in Iraq and their families, and especially those whose sons and daughters in uniform have been captured, wounded, or killed.

The lethality of modern warfare and the physical and mental demands placed on our troops provide a harsh backdrop for the subject we will consider today. Often referred to as concurrent receipt, this issue was of key importance in the formulation of last year's

Defense Authorization Act. Concurrent receipt is a shorthand term for proposals that would eliminate a century-old barrier in the law to military retirees receiving both their retired pay and veterans' disability compensation.

The arguments for and against the required dollar-for-dollar offset of military retired pay must be evaluated to assess these proposals. The action taken by Congress last year, namely, the establishment of a new form of special compensation for certain combat-related disabled uniformed service retirees is due to become effective on June 1 of this year. It was intended to provide additional compensation to those military retirees whose VA-related disability is the result of combat, combat training, or combat preparation. We look forward to hearing about the plans underway in the Department of Defense and the Services to implement a program for administering this special compensation, and how this program may affect the Department of Veterans' Affairs (VA).

Additionally, we will receive testimony that should inform all of those who are concerned about disability and retirement systems, and hopefully identify the best path for future solutions. Our goal is to ensure that those military retirees with disabilities and their families have access to continuing health care, receive an equitable level of compensation for their sacrifices, in some cases heroic sacrifices, they have made and the military service they have rendered, and continue to be motivated, like all Americans with disabilities, to lead productive, rewarding lives.

I would like to welcome today Senator Harry Reid of Nevada. He has been at the forefront of the efforts to eliminate the offset and recently introduced legislation, S. 392, the Retired Pay Restoration Act of 2003, to this effect.

Our second panel will include Secretary Charles Abell, Principal Deputy Under Secretary of Defense for Personnel and Readiness; and Secretary Daniel Cooper, Under Secretary for Benefits of the Department of Veterans' Affairs. These witnesses are responsible for administration of the current compensation programs within the DOD and the VA for disabled military retirees.

Our third panel will consist of representatives from the Congressional Budget Office, the Government Accounting Office, and a former member of the Congressional Research Service, now retired, Carolyn Merck, who coauthored an important study on today's topic. These witnesses will provide important perspectives on the history and operation of various benefits systems and an explanation of the estimated costs associated with changes to existing law and, I anticipate, assist us greatly in evaluating the arguments for and against legislative changes.

Our fourth panel is comprised of three representatives of private organizations that advocate for military retirees and veterans, and who possess extensive experience with military disability and compensation programs. We welcome Steve Strobridge, of the Military Officers Association of America; Master Gunnery Sergeant Benjamin Butler, United States Marine Corps, Retired, of the National Association for the Uniformed Services; and Michael Slee, of the American Legion. We welcome all of our witnesses this afternoon, and we look forward to hearing from you.

Before we turn to Senator Reid, I, of course, would like to turn to my colleague, my friend, and my ranking member, Senator Ben Nelson of Nebraska, for any comments he might have.

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Thank you, Mr. Chairman. It is really a pleasure to serve on this subcommittee and to be working with you.

The topic before this hearing today is a very significant one. It is one that is vitally important to military retirees who are disabled as a result of their military service. Current law prohibits concurrent receipt of military retirement pay and VA disability compensation. This law, which dates back to 1891, is fundamentally unfair. Military retirement pay and VA disability compensation were earned and awarded for different purposes. Military retirement pay is awarded for a career of service in the armed services. Disability compensation is awarded to a veteran to compensate for disability incurred in the line of military duty.

It is clear that Congress recognizes the inequity of this prohibition. Each year for the last several years legislation has been introduced in both the House and the Senate to appeal this inequitable prohibition. Our good friend, Senator Harry Reid, our first witness, is the primary sponsor of this legislation in the Senate, and an overwhelming majority of Senators and Representatives have cosponsored these legislative initiatives. Last year, Senator Reid's bill, S. 170, had 82 cosponsors. H.R. 303, the companion bill in the House, had 403 cosponsors. This year, Senator Reid's bill, S. 392, has 50 cosponsors, and obviously that number will likely grow. I am privileged to be a cosponsor of this bill.

Despite this overwhelming congressional support and the fact that the Senate has already passed this legislation several times, it has not been enacted because it always gets dropped or compromised during our conference with the House. Last year, the Senate was forced to yield because of a threatened veto from the administration. We were put in the position of having no defense bill or working out an alternative to appealing the prohibition on concurrent receipt.

Although we have not been successful in repealing the prohibition against concurrent receipt, we have chipped away at the inequity. In the National Defense Authorization Act for Fiscal Year 2000, Congress enacted a limited special compensation for military retirees with disabilities rated at 70 percent or higher. In the National Defense Authorization Act for Fiscal Year 2002, we increased the amount of compensation and included retirees with disabilities rated at 60 percent, and although we still have not repealed the prohibition on concurrent receipt, we did enact a new special compensation for military retirees with combat-related injuries in last year's National Defense Authorization Act. The amount of this special compensation is equal to the amount of retirement pay that these retirees forfeit as an offset for the amount of VA disability compensation they receive.

That means this limited class of military retirees, those with combat-related disabilities, will receive the same amount of money through this special pay as they would receive if we were successful in repealing the prohibition on concurrent receipt, but this is

not good enough. We still have thousands of retirees who are forfeiting part of their retirement pay earned through years of service to their Nation because they also receive VA compensation for a service-connected disability. We will continue to work at this until we fix it.

Mr. Chairman, I am most anxious to hear from our witnesses, particularly our good friend Senator Harry Reid from Nevada.

Senator CHAMBLISS. Thank you, Senator Nelson. Senator Reid is an advocate of changing the concurrent receipt provision similar to what you had proposed on the Senate side while I was in the House. I thank you for your strong leadership in this area. You have been a great advocate for our retired men and women, and you are to be commended for that. We are pleased you are here today, and we look forward to hearing from you.

Senator Harry Reid.

STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM NEVADA

Senator REID. Mr. Chairman, Senator Nelson, I would ask unanimous consent of the subcommittee that my full statement be made part of the record.

Senator CHAMBLISS. Without objection, certainly.

Senator REID. You two Senators have outlined very clearly the objective that we have here. I talked earlier today about Senator Pat Moynihan having passed away. What a lot of people do not know about Pat is, he was a naval veteran, and he had injuries as a result of being in the Navy, and he had surgery on his back. You lose track of time, but sometime ago when he was still in the Senate, but recently, right before he left.

You have that example, and then you have in a little place called Tonopah, Nevada, a young man who went to high school there, who was killed in Iraq. The first fatality we had in Nevada was Frederick Pokorney, who died as a result of being ambushed, one of nine marines killed at the same time.

The point I made earlier today that I made to you gentlemen, and I know that you understand this, is that the pictures we see on TV are not movies. They are not make-believe. They are real. People are getting shot and injured in many different ways in Iraq, and that is the way wars are.

If you go back to the first Gulf War and you keep tracing back through the whole modern period of war, Vietnam, Korea, the Second World War, lots of people have been hurt and, of course, killed. That is why this is bipartisan legislation. The chairman is a Republican. The ranking member is a Democrat. Congressman Bilirakis from Florida and I have been working on this together for a long time. We have the vast majority of the support of Congress, and we need to do this.

As I mentioned also earlier today, the supplemental has $9 billion for foreign aid. I support that, but if we can spend $5 billion on foreign aid for the next 6 months—that is what the supplemental is—I think we could spend a few bucks to make sure our veterans are treated fairly. There is no reason that a veteran who has the ability to retire by virtue of his service in the military and who is disabled cannot draw both. That is why we have these rules

and regulations, so I appreciate both of you being supporters of this legislation, but you are going to have to help me when we come to the further authorization of this. We did very well, and I appreciate your help on the Senate floor this week.

What we have done on the Senate floor this week on the budget, we can get this up to where we are covering almost 100,000 military retirees. We still have about 400,000 to go, but we need to do this. We need to phase in up to 100 percent of the disability, and you are going to have to help me in the authorizing process and also when it comes time for appropriations.

This is something I feel very strongly about. This is something that would affect a Pat Moynihan and a Frederick Pokorney all wrapped up into one. It is what our country is all about, taking care of our soldiers, sailors, airmen, and marines who have dedicated their lives to protecting us. I recognize that we have a lot of responsibilities as Members of Congress, but other than my immediate family, the people who have done the most to protect me and allow me to have the wonderful life that I do is the American veteran, and that is what I hope we tend to remember as we are squeezing dollars toward the end of this financial period, which ends October 1. I hope we will do what is right for the American veteran.

[The prepared statement of Senator Reid follows:]

PREPARED STATEMENT BY SENATOR HARRY REID

Mr. Chairman, members of the subcommittee, I appreciate the invitation to be here with you today to speak about ending an injustice impacting hundreds of thousands of our disabled military retirees.

The events of recent days in Iraq have brought to everyone's attention the vital role that our armed services play in the very fabric of our Nation; and indeed, how our very way of life is indebted to the sacrifices and heroism of military personnel throughout the Nation's history.

These ongoing sacrifices struck my home state of Nevada earlier this week in a very personal way with the death of Marine 2nd Lieutenant Frederick E. Pokorney, Jr. from Tonopah. He served Nevada and our Nation so proudly. Our thoughts and prayers are with his family and the families of all of our service members who have been killed or captured in Iraq.

But we also remember the sacrifices of our military retirees who have nobly served in times of war, as well as in times of relative peace.

We must never forget that military jobs are not routine 9-to-5 jobs. Military jobs often entail frequent and prolonged family separations, long hours with no additional compensation, exposure to unusually harsh conditions, isolated assignments, exposure to diseases in third-world countries, contact with toxic substances, exposure to loud noise, and loss of many daily freedoms that all other Americans take for granted.

Because the military environment is so unique and many medical conditions may stem from that environment, the law authorizes VA compensation for disabilities that begin during service, are aggravated by the service, or are linked to it. The law, however, has an inherent unfairness when applied to hundreds of thousands of disabled military retirees.

As you are aware, present law requires military retirees to waive an amount of their hard-earned retired pay to offset dollar-for-dollar the amount of the VA disability compensation they have been awarded for service-connected disabilities. For example, a military retiree with no dependents who has been rated 100 percent disabled by the VA will be forced to forfeit $2,193 of his retired pay every month in order to receive $2,193 in VA disability compensation. This forfeiture consumes most, and in many cases ALL, of the retiree's retired pay. The end result is that the disabled military retiree loses all of the value of his 20 or more years of arduous service to our Nation.

It is important for us to keep in mind the separate and distinct purposes of military retired pay and VA disability compensation. I cannot overemphasize the impor-

tance of these distinctions. Military retired pay is the promised reward for serving 20 or more years of uniformed service; it is based on the length of service. VA disability compensation is unrelated to the length of service. It is intended to recompense the "pain and suffering" that results from service-connected disabilities, and the lost or diminished future earning capacity that a typical person with those disabilities would experience.

We must be honest—there can be no "compensation" when the retiree pays for it by forfeiting retired pay that was earned for longevity.

No other Federal retiree forfeits Federal retired pay to reimburse the government. Apparently, other departments recognize that retired pay is earned for longevity of employment, and has nothing to do with VA disability compensation.

The disabled military retirees that I hear from in Nevada and across the country feel betrayed by this system and this very outdated and unjust law. They feel cheated because they lose the vested value of their years of service when the government every month seriously shortchanges their retirement checks; in many cases, the severely disabled do not even receive one penny of their retired pay.

With the Fiscal Year 2000 National Defense Authorization Act, Congress did recognize that our present law is bad, and established the Severely Disabled Compensation Program that provides a modest payment to severely disabled military retirees.

In the most recent National Defense Authorization Act, we took another small step forward by establishing Combat-Related Special Compensation programs, which pertain to Purple Heart recipients, and other longevity retirees who are rated at least 60 percent disabled because of armed conflict, hazardous duty, training exercises, or mishaps involving military equipment. The estimated number to benefit from this compensation is somewhere between 15,000 to 30,000 disabled retirees. While I welcome even this modest step forward, I say to the subcommittee, there is much work remaining to correct this injustice.

This week, I was grateful that the Senate strongly supported my amendment to the budget resolution, which allowed for new budget authority and outlays for national defense in order to permit phased-in concurrent receipt of retired pay and veterans' disability compensation for retirees with service-connected disabilities rated at 60 percent or higher.

While the provisions of this amendment fall short of what I believe would be a complete solution, I am pleased that this funding authority will benefit close to 90,000 military retirees with VA disability ratings between 60 and 100 percent. Surely we can provide relief to this especially deserving group.

The support for this issue in Congress is clear. About 90 percent of the entire 107th Congress was on record as supporting full concurrent receipt in the 2003 National Defense Authorization Act. Disabled military retirees were extremely disappointed when the legislation fell short after a veto threat by the White House.

But let me state for the record that the veterans organizations in this country did such incredible work and rallied our Congress to get 403 cosponsors for H.R. 303 and 82 cosponsors for S. 170. Even the bill I just introduced in the Senate for full concurrent receipt—S. 392—has over 50 cosponsors to date. I congratulate the veterans groups for their outstanding legislative advocacy and for their service to this country.

In closing, I urge that, at a minimum, the Committee authorize the phased-in concurrent receipt provisions, as now included in the budget resolution, for military retirees with 60 to 100 percent service-connected disabilities.

It is time for us to demonstrate a sense of fairness, proportionality, and balance in how we use the taxpayer dollars that have been entrusted to us. Let's take care of our military retirees as we recall, day-by-day, how much they have done for us and for people seeking freedom around the world.

Thank you again for the opportunity to be here with you today.

Senator CHAMBLISS. Thank you very much, Senator. Again, we appreciate your leadership, and we look forward to continuing to work with you.

Secretary Abell and Secretary Cooper, and while you are coming up, Charlie, it is nice to see you sitting out there. I am used to seeing you sitting behind the chairman in the conferences between the House and Senate, so we are glad to have your expertise where you are.

Secretary ABELL. Thank you, sir.

Senator CHAMBLISS. All your friends in Georgia send their regards to you, and Secretary Abell, we will start with you. We look forward to your statement. Whatever written statement you want to insert in the record, obviously we will accept that in full.

STATEMENT OF HON. CHARLES S. ABELL, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS

Secretary ABELL. Thank you, sir. Good afternoon, Senator Nelson. I appreciate the opportunity to appear before this subcommittee and discuss our plans for the combat-related special compensation. With your indulgence, Mr. Chairman, I will make a slightly longer statement than I might otherwise give in order to describe our plans to implement the combat-related special compensation program.

Section 636 of the Fiscal Year 2003 National Defense Authorization Act, which was enacted on December 2, 2002, provides a new entitlement for certain disabled military retirees. While the law is clear that this special compensation is not retired pay, this pay does equal the retired pay offset resulting from receipt of a VA disability compensation for certain retirees.

A military retiree qualifies if the VA compensation is based on either a Purple Heart injury compensated at 10 percent or greater, or if the VA compensation is based on a combat disability of 60 percent or greater. A combat disability is defined as one incurred either as a direct result of armed combat, while engaged in hazardous service, while performing a duty under war simulation conditions, or through an instrumentality of war.

In developing our procedures, we have met with representatives of the military services, the Defense Finance and Accounting Service, the Department of Veterans' Affairs, and the service associations. We intend to meet with the veterans' support organizations and the military support associations one more time again before we announce our final procedures so that they have an opportunity to review and comment one last time.

Our concept of operations is twofold. For retired members, we are identifying potentially eligible members by compiling as much qualifying information as possible. Our colleagues at VA are helping us in this regard. We are identifying retired members with a VA disability of 60 percent or greater. VA has shared their list of veterans who have been awarded the Purple Heart. VA has provided us a listing of diagnostic codes, percentages applicable, and effective date of benefits for those that we believe might qualify. We are reviewing the records to see what is in them and how best to conduct an efficient review.

For currently serving members, we are developing a system to continuously document potentially qualifying injuries over their career. As Senator Reid said, some of our soldiers unfortunately are suffering injuries today that would qualify them for this should they stay in until retirement. This applies to those who are in Operation Enduring Freedom and Operation Iraqi Freedom. We are trying to document medical events, assignments, exercise events, and personal declarations so that when they retire we will be able to transition them to this pay expeditiously.

We have developed a draft application form. Our target is to have this form available by May 1. We intend to have an electronic variation of this form. This will be a form that can be completed and printed. Unfortunately at this time we do not have the ability to accept electronic filing.

We have asked the military services to publish the form and the accompanying instructions for completing the form in their retiree newsletters. I hope that the veterans' support organizations and the military support associations will publish the form and the instructions in their publications as well. It is all part of our outreach to qualified veterans.

The Defense Manpower Data Center website will include the electronic version of the form and instructions for completing the application. I hope to enlist the assistance of the veterans' support organizations and the military support associations to permit their members to visit the local chapter and use their computers to help fill out the form.

As part of the application, we will ask the retired member to provide as much information as he or she has to assist us in verifying their disability and linking the disability to a combat-related incident. We are encouraging retirees not to bombard the VA with requests for records. If we need to look at a VA record, we will make the request to the VA for their review or, if necessary, to retrieve the actual records for a service review.

The military services will process the applications for those who retired from their service. The Services already have boards and processes to make disability determinations, so this will not be a new experience for them. These boards will use service and, if necessary, VA records to make their determination. Approved claims will be forwarded to the Defense Finance and Accounting Service for payment. Claims that cannot be verified will be returned to the applicant with an explanation of why it could not be verified, describing what steps could be taken to provide better information, and also what steps are available to appeal the decision.

We are working with the VA and the Services to conduct a preliminary review of a trial group of 100 records. This review will assist us in determining how to review records efficiently, and how to find pertinent data when it is not readily obvious. We are working towards a May 31 effective date for this process. The statute specified that we implement within 180 days of enactment. We intend to meet that deadline. I anticipate that the first payments could begin as early as July of this year, and payments for those who are currently retired will be retroactive to June 1 without regard to when the application is processed.

Before I close, Mr. Chairman, I would like to take a minute to address an issue that Senator Nelson discussed with me at a hearing last year. Sir, you may recall that you urged me to ensure that we had an effective way to apprise military personnel of the value of their benefits. We discussed occasional mailings, attachments to their pay vouchers, and other means.

I want to report that in December of last year we initiated a website that any service member can access that lists the many benefits available to a service member. The site also includes calculators that permit the service member to input his or her specific

data and determine the actual value of their retirement or certain other benefits. I heard your admonition, and we have taken action to provide our service members a user-friendly means to review their benefit package whenever they want.

Thank you, Mr. Chairman. I am prepared to respond to your questions.

[The prepared statement of Secretary Abell follows:]

PREPARED STATEMENT BY HON. CHARLES S. ABELL

INTRODUCTION

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity to be here today and thank you for your continuing support of the men and women who serve in our Armed Forces. Last year the Department developed a comprehensive Human Resource Strategic Plan. With direction from the Quadrennial Defense Review and Defense Planning Guidance, we collaborated with the Secretaries of the Military Departments and the component heads to develop a strategic human resource plan that encompasses military, civilian, and contractor personnel. The plan identified the tools necessary to shape and size the force, to provide adequate numbers of high-quality, skilled and professionally developed people, and to facilitate a seamless flow of personnel between the Active and Reserve Forces.

The Department continues to refine the Human Resources Strategy designed to provide the military force necessary to support our national defense strategy. We face an increasingly challenging task to recruit, train, and retain people with the broad skills and good judgment needed to address the dynamic challenges of the 21st century, and we must do this in a competitive human capital environment. Consequently, we seek a mix of policies, programs, and legislation to ensure that the right numbers of military personnel have the requisite skills and abilities to execute assigned missions effectively and efficiently.

COMPENSATION

Attracting and retaining high caliber individuals for a trained and ready All-Volunteer Force require a robust, competitive and flexible compensation system. In addition to basic pay, compensation includes all pays and allowances, such as housing and subsistence allowances, and special and incentive pays. Over the past several years the administration and Congress have worked closely together to make significant strides in improving the pay and allowances of our men and women in uniform. We look forward to working together again this year to continue this effort that is so important to our troops and their families.

Military Pay

As noted by the 9th Quadrennial Review of Military Compensation, increased educational attainment on the part of the enlisted force made the existing military pay structure less competitive. We appreciate Congress' direction on the 2002 and 2003 pay raises to target additional raises for NCOs, as well as mid-level officers. Targeted pay raises are again needed but can be more narrowly focused to NCOs and some warrant officers. We are proposing raises of up to 6.25 percent for NCOs, with most other members getting 3.7 percent, or Employment Cost Index (ECI) + ½ percent. The average raise would be 4.1 percent. We recommend Congress adopt our proposed targeted pay raises for our mid-level and senior NCOs and warrant officers for fiscal year 2004.

Housing Allowance

In addition to maintaining efforts to achieve competitive pay tables, the Department intends to continue significantly increasing military housing allowances, with the goal of eliminating average out-of-pocket costs by 2005. Only a few years ago, members' average out-of-pocket costs were more than 20 percent. Building on the current year's increases, the fiscal year 2004 budget requests further improvements in the allowance, reducing the average out-of-pocket costs from 7.5 to 3.5 percent. Further, continued refinements in data collection processes have led to improved allowances in numerous local areas where the measured housing costs were understating the costs borne by our members in obtaining safe and adequate housing.

Special and Incentive Pays

While comparability of basic pay and adequate allowances are extremely important, special and incentive pays provide the critical flexibility for military compensation to be competitive in highly technical, scientific areas where we have shortages. Successful retention of enlisted members in vital skills such as special operations, aviation maintenance, information technology, electronics, intelligence, linguists, and air traffic control depend on judicious use of bonuses and special pays. Likewise, officer retention challenges exist in career fields whose technical and scientific skills are easily transferable to the private sector and demand high salaries. In the Fiscal Year 2001 National Defense Authorization Act, Congress enacted the Critical Skills Retention Bonus (CSRB) program, adding significant flexibility that allows the Services to more quickly react to emerging shortages and improve retention in targeted, critical skills. But appropriations for these bonuses were cut in fiscal year 2003, severely limiting the Services' ability to use this new authority. We hope Congress will support these important and cost-effective investments this year.

Thrift Savings Plan

In January 2002, the Department implemented a new authority provided by Congress to allow the uniformed forces to participate in the Thrift Savings Plan (TSP). This opportunity represents a major initiative to improve the quality of life for our service members and their families, as well as becoming an important tool in our retention efforts. In its first year of operation, TSP attracted nearly 303,000 enrollees, 241,000 active duty and 62,000 Guard and Reserve members. The Department projected that 10 percent of active duty members would enroll in the first year; in fact, we had 17 percent sign up, exceeding our expectations.

Reserve Compensation

In 2003, we are examining compensation programs for Reserve component members. The current and anticipated military environments require employment of Reserve Forces in ways not imagined when current compensation programs were designed. Current thresholds for housing allowances, per diem, some special skill and duty pays, and a range of benefits may not fully support the manner in which Reserve component members may be employed in the future. Compensation programs must be sufficient to attract and retain capabilities to meet continuous, surge and infrequent requirements. As we examine options and formulate alternatives, we will adjust our regulations and include proposed statutory changes as part of the Department's legislative program.

RETIREMENT ISSUES

Military retired pay is a key component of the military compensation system. Recent improvements enacted by Congress once again make military retirement a strong positive factor in the retention of career service members and their overall satisfaction with military service. But, one of the most difficult issues that the administration and Congress have dealt with over the past several years involves military retired pay and the issue of "Concurrent Receipt."

Concurrent Receipt

Concurrent receipt involves the long-standing prohibition against retired military personnel receiving both retired pay from the Department of Defense (DOD) and disability benefits from the Department of Veterans' Affairs (VA). Consistent with long-standing administration policy, DOD opposes members receiving both benefits concurrently because these two programs were intended for two entirely separate populations: retirees and non-retired veterans. Originally, the law provided that members, active or retired, could not receive VA disability compensation. In the 1940s the law was modified to ensure no retiree could get less than a similarly disabled veteran who had not retired. If VA compensation was more than military retired pay, the member could be paid the higher VA amount. If the military retired pay was greater, the retiree could receive all of the VA pay, which is tax free, and then any remaining military retired pay in excess of that amount. This change, which is reflected in the current law, allows retirees to obtain the best combination of tax free and taxable income. Unfortunately, some retirees interpret this long-standing provision as a denial of entitlements.

Some military retirees strongly believe they deserve both benefits, claiming that one is for years of service and the other is for an injury or illness they received during that service. The Department's position has been that the purpose of disability compensation is to overcome the impact of lost income compared to the person who has no disability and should not be additive to retired pay. Providing both retired pay and disability compensation is contrary to the long-standing principle that no

one should be able to receive concurrent retirement benefits and disability benefits based upon the same service. All Federal compensation systems aim for an equitable percentage of income replacement in the case of either work-related injury or retirement.

Congress has considered numerous bills over the past few years to partially or completely repeal the prohibition against concurrent receipt. The 108th Congress so far has been presented with two bills that would allow full concurrent receipt for retirees with at least 20 years of service: H.R. 303 sponsored by Congressman Bilirakis, and S. 392 sponsored by Senator Reid. Both of these bills would remove the prohibition against concurrent receipt for all retirees with 20 plus years of service. However, any amount of disability retired pay that exceeds what the member would receive for longevity retirement remains subject to offset. In effect then, payments under H.R. 303 and S. 392 would work in much the same way as the recently enacted Combat-Related Special Compensation program, but without the requirement that the disabilities be combat-related. No added benefits would apply to those retired for disability with less than 20 years of service. But, full repeal of the existing prohibition is very expensive—our previous estimate is $58 billion over 10 years. The administration is on record as strongly opposing the changes included in these bills. Last year, the President's senior advisors recommended that he veto such legislation if it were presented to him.

Nonetheless, we all acknowledge a great debt of gratitude to all veterans, particularly those serving long and faithful careers. In response to the veterans' concerns over the last few years, Congress passed and the President signed legislation to provide special compensation to two groups of retirees. First, Special Compensation for Severely Disabled (SCSD) pays up to $300 a month to retirees with severe disabilities, those rated as 60 percent or more within 4 years of retirement. This is being paid to more than 30,000 of the most severely disabled retirees. More recently enacted and pending implementation in June, Combat-Related Special Compensation (CRSC) will allow many retirees to receive total compensation in an amount equivalent to both their military retired pay and their VA disability compensation. This program is described in detail below.

Combat-Related Special Compensation (CRSC)

The National Defense Authorization Act for Fiscal Year 2003 provided a new Combat-Related Special Compensation for military retirees with combat-related disabilities. While this is not concurrent receipt of military retired pay and VA disability compensation, the new program will have the effect of providing the same total benefit for many qualifying retirees. To be eligible, retirees must have 20 years of service for retired pay computation and have disabilities resulting from combat injuries for which they have been awarded the Purple Heart or are rated at least 60 percent disabled resulting from armed conflict, hazardous duty, training exercises, or mishaps involving military equipment.

We are working closely with the Department of Veterans' Affairs to identify potentially eligible members and establish and implement application procedures and requirements. We have so far identified 16,500 retirees who have the requisite 20 years of service and have been awarded the Purple Heart. This list was drawn from a list of 160,000 veterans who receive disability compensation from the VA and who identified themselves (and submitted supporting documentation) as Purple Heart recipients. We have thousands of retirees currently receiving Special Compensation for the Severely Disabled, many of whom will qualify for significantly higher payments of the Combat-Related Special Compensation. All of these retirees already meet the criteria of having 20 years of service and being rated at least 60 percent disabled. The remaining factor to be determined is whether their disability is combat-related.

We intend to have applications and instructions available by late spring, as well as a website where members can complete and download their application, so eligible retirees can begin applying. The website and service retiree newsletters should provide the first information about when and where eligible retirees may submit claims for compensation. We will keep the service-related associations and other appropriate organizations informed as well.

Of the hundreds of thousands of military retirees, many will believe that they qualify for the new payments. Consequently, we expect to receive a large number of applications. These will take some time to process and make a determination as to whether the retiree is eligible. The length of time will vary depending on the adequacy of the documentation the retiree is able to provide us or whether we have to seek additional documentation from the VA. While it will take us some time to process these thousands of claims, all retirees who qualify will be paid retroactive to the date they met all criteria for payment, but no further back then June 1, 2003,

the beginning date of the program. We anticipate the first checks will go out in July. If it takes us additional time past the start date to approve a retiree's claim, their first check will include all payments back to June 1.

We know there will be honest disagreements regarding this program and whether or not a particular retiree qualifies. Determining whether an illness or disability that may have been incurred decades ago is service connected will continue to be the role of the VA. DOD's role will be to make the determination of whether the cause of the disability is or is not combat related. We, like the VA, want to ensure disabled veterans receive all that they are due. If the retiree can show a proximate cause to armed conflict, hazardous duty, training exercises, or mishaps involving military equipment and they meet the other requirements, we will approve them for payments. We will also establish an appeals process so retirees who feel their claims were not correctly evaluated can have a venue for formal reconsideration and for providing more information.

We estimate that in fiscal year 2004 we will have more than 33,000 qualified retirees with total payments of about $327 million.

Examples of Concurrent Receipt

Because the subject of concurrent receipt can be confusing, I would like to show how the compensation of four different personnel of various pay grades and circumstances is currently computed, how it will change with the recently enacted Combat-Related Special Compensation, and what differences would occur under Congressman Bilarakis' or Senator Reid's proposals. (All examples are based on a member who qualifies for tax-exempt status of his special compensation (SCSD or CRSC) under the IRS code.)

My first example is a mid-grade NCO (E–5) with 8 years of service who is totally disabled in combat and who is retired with 100 percent disability. He will receive retired pay equal to 75 percent of his basic pay, or $1,390 a month. He can apply for VA compensation as well. Assuming the VA awards 100 percent disability compensation, they will pay him $2,193 monthly tax-free, but his retired pay will be reduced to zero. Thus, his monthly income would be $2,193 tax-free.

The second is an E–6 with 20 years of service, who is also totally disabled in combat and retired at 100 percent disability. He will also receive retired pay equal to 75 percent of his basic pay, or $1,855 a month. If he applies to VA for compensation and is awarded a 100 percent disability, he too will receive $2,193 monthly on a tax-free basis. Like the E–5, his military retired pay will be reduced to zero because his retired pay is less than the VA's disability compensation. Since he has served 20 years, however, he is eligible for $300 per month in SCSD from DOD. Therefore, his total monthly income would be $2,493 tax-free.

The third example is a senior NCO (E–7) with 20 years of service, who is also totally disabled and retires with 100 percent disability, but his condition is the result of injuries received in a car accident off duty. His retired pay will be 75 percent of his basic pay, or $2,123 monthly. This member may also apply for VA compensation and if rated at 100 percent would receive disability compensation of $2,193 monthly on a tax-free basis, just like our two previous examples. This would reduce his retired pay to zero. However, like the E–6, this member can qualify for $300 per month in SCSD since he has served 20 years. Thus, his total monthly income would also be $2,493 tax-free, the same as the E–6.

My fourth example is an E–8 with 30 years of service who retires with no disability, but who is rated by the VA as 100 percent disabled shortly after retirement due to a heart problem first diagnosed in service. His military retired pay is equal to 75 percent of this basic pay or $2,822 monthly. His tax-free VA disability compensation of $2,193 will reduce his military retired pay to $629. However, because he has served more than 20 years, he will be eligible for the $300 per month in SCSD from DOD. His total monthly compensation, therefore, will be $3,122 of which $2,493 will be tax-free and $629 will be taxable income.

The following tables will show you how the compensation of these four individuals will be affected under the recently enacted Combat-Related Special Compensation and under the two bills currently proposed by Congressman Bilirakis and Senator Reid.

E–5 WITH 8 YEARS OF SERVICE, 100 PERCENT COMBAT DISABILITY

Pay	Current System	CRSC	S 392/HR 303
VA Comp (Tax Free)	$2,193	$2,193	$2,193
Retired Pay	1,390	1,390	1,390
Offset	(1,390)	(1,390)	(1,390)
CRSC	N/A	N/A	N/A
Offset			
Special Comp (SCSD)	N/A	N/A	N/A
Total (Tax Free)	$2,193	$2,193	$2,193

Here our E–5 with just 8 years of service receives no extra compensation under either Combat-Related Special Compensation or the two proposed bills since he did not serve 20 years of service. His total compensation remains $2,193 per month tax-free.

E–6 WITH 20 YEARS OF SERVICE, 100 PERCENT COMBAT DISABILITY

Pay	Current System	CRSC	S 392/HR 303
VA Comp (Tax Free)	$2,193	$2,193	$2,193
Retired Pay	1,855	1,855	1,855
Offset	(1,855)	(1,855)	(618)
CRSC	N/A	1,855	N/A
Offset		(618)	
Special Comp (SCSD)	300	0	N/A
Total	$2,493	$3,430	$3,430

In the case of the E–6, since he completed 20 years of service, he would be eligible for the recently enacted Combat-Related Special Compensation. However, his CRSC benefit will be reduced, or offset, because he is receiving disability retired pay that exceeds what he would receive if he retired on the basis of length of service.

E–7 WITH 20 YEARS OF SERVICE, 100 PERCENT NON-COMBAT DISABILITY

Pay	Current System	CRSC	S 392/HR 303
VA Comp (Tax Free)	$2,193	$2,193	$2,193
Retired Pay	2,123	2,123	2,123
Offset	(2,123)	(2,123)	(708)
CRSC	N/A	N/A	N/A
Offset			
Special Comp (SCSD)	300	300	N/A
Total	$2,493	$2,493	$3,608

In the case of the E–7 whose disability is not combat related, he receives no additional compensation from the recently enacted Combat-Related Special Compensation. However, under the proposed bills in the House and Senate, he would receive all of his military retired pay, subject to the offset imposed for having his retired pay based on his disability rather than length of service.

E–8 WITH 30 YEARS OF SERVICE, 100 PERCENT NON-COMBAT DISABILITY

Pay	Current System	CRSC	S 392/HR 303
VA Comp (Tax Free)	$2,193	$2,193	$2,193
Retired Pay	2,822	2,822	2,822
Offset	(2,193)	(2,193)	0
CRSC	N/A	N/A	N/A
Offset			
Special Comp (SCSD)	300	300	N/A
Total	$3,122	$3,122	$5,015

In the case of our E–8 member, he receives no additional compensation under CRSC since his disability is not combat-related. However, under the Bilirakis/Reid proposals, he would receive all of his military retirement, with no offset, since he had completed 30 years of service.

Survivor Benefit Plan (SBP)

SBP was intended from inception in 1972 to complement Social Security benefits and Dependency and Indemnity Compensation (DIC) from the Department of Veterans' Affairs (VA). Together, these programs ensure survivors' income is at least 55 percent of the member's retired pay. SBP has a two-tier payment structure and pays the full 55 percent when the spouse is under the age of 62, when a survivor becomes eligible for Social Security payments. At age 62 and later, SBP pays 35 percent and Social Security benefits pay 20 percent or more. Retirees pay premiums for the SBP coverage, currently 6.5 percent of retired pay using pre-taxed dollars.

VA pays DIC if the death is service-connected and requires no premiums or program participation. Therefore, if a survivor is also eligible for SBP, DIC benefits are subtracted from SBP, and the survivor gets a full refund of any SBP premiums paid for the offset amount of the SBP annuity. In other words, if DIC pays half of what the SBP payment would be, then half of all premiums paid for the SBP would be refunded. Also, since VA payments are tax free, only the half paid by SBP would be taxable. So, this survivor would be receiving a minimum of 55 percent of the member's retired pay, half of which is tax free.

The original SBP had a dollar-for-dollar offset of Social Security payments. This offset is still available to those who retired (or were eligible to retire) as of October 1, 1985. The offset method is used if it pays the survivor more than the 35 percent benefit under the two-tier system. For example, it is possible that the Social Security payment derived from only the member's military earnings was about 10 percent of current retired pay. Then using the offset would set the post-62 SBP payment at 45 percent instead of the two-tiered 35 percent. The survivor may in fact receive Social Security in his or her own right at 20 percent. So this survivor would actually receive a total of 65 percent. Again, SBP has been designed from the beginning to work together with Social Security and DIC to ensure the survivor gets at least a total of 55 percent of the member's retired pay.

It is important for military members to understand how the system works, and there are several sources of information available to help them understand this benefit, including mandatory retirement briefings, DOD and service websites, service retiree newsletters, military association magazines, and press articles. Also, every retiree receives an account statement at least once each year that lists his SBP coverage, the cost, base amount, 55 percent annuity amount, and 35 percent annuity amount. Nonetheless, many retirees don't understand the program until later in life when they become more aware of and focus on their survivor's needs.

SBP Subsidy

SBP is a subsidized program; while participants pay premiums, a portion of the program benefits are paid directly by the Government. There is a concern whether the subsidy today is less than it should be, and even a question as to what it should be. Evidence suggests that the intended subsidy was about 40 percent, but exactly who was to be included or how it was to be computed were never specified.

The idea of a 40 percent subsidy first surfaced when SBP was being developed in the early 1970s. We do know SBP was intended to have a subsidy similar to that of the Civil Service survivor program, thought to be about 40 percent at that time. Much has changed in the program in the last 30 years, and it is not clear whether this objective is still appropriate.

One problem is that various groups have different expected subsidies as provided by the DOD Actuary and shown below:

(Percentage)

Overall	31.5
Non-disabled	16.4
Disabled	54.3
Reserve SBP	58.3
RC–SBP [1]	0.0
Active duty	100.0

[1] RC–SBP program (pre-age 60) is by law not subsidized.

We are currently reviewing options that could improve the subsidy and make it more equitable among these groups.

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.

I would like to take this opportunity to note that the joint efforts of Congress and the Department are beginning to pay off. Service members who completed the web-based 2002 Status of Forces Survey opinion survey expressed greater satisfaction with almost all aspects of service life than they had 3 years earlier. For instance, results show a significant gain in satisfaction over compensation. This is directly attributable to the annual pay raises that exceeded wage growth in the private sector and housing allowance hikes set higher than the yearly rise in local rents. Congress was instrumental in making this happen.

Even better news is that more than 80 percent feel they are ready to perform wartime duties. This is certainly a positive endorsement for the programs that you have helped us enact. I am hopeful that I can count on your support in the future. I look forward to working with you closely during the coming year.

Senator CHAMBLISS. Thank you, Mr. Secretary.

Secretary Cooper.

STATEMENT OF HON. DANIEL L. COOPER, UNDER SECRETARY FOR BENEFITS, DEPARTMENT OF VETERANS' AFFAIRS

Secretary COOPER. Mr. Chairman, members of the subcommittee, thank you for the opportunity to testify today about the VA's role in assisting the Department of Defense implement the new combat-related special compensation benefit. I would appreciate it if my written statement could be entered into the record, sir.

Senator CHAMBLISS. Certainly.

Secretary COOPER. VA has extensive experience in administrating benefit programs, and obviously we can help DOD identify the military retirees who are eligible for this benefit now and in the future. A primary criterion for eligibility is the veteran's disability rating, which is adjudicated by VA, and I would like to briefly explain VA's compensation program and how we assign disability ratings.

The purpose of the VA's compensation program is to provide monthly payments and other related benefits to a veteran for any injury or disease incurred in or aggravated in the line of duty. This includes injuries or diseases that occurred any time while a veteran was on active duty. It also includes diseases that arise after discharge, which the VA presumes to be the result of a particular circumstance of duty. For instance, there are 22 presumptives as a result of Agent Orange in Vietnam.

It includes compensation for mental conditions such as post-traumatic stress disorder that is linked to a stressful incident in the Service. It also includes compensation for secondary service disabilities such as, if you had a bad leg and later on as a result of that your back became bad, you would receive a disability for that also.

Today, there are approximately 2,433,000 veterans receiving compensation benefits. The amount of compensation varies depending upon the disability, the severity of that service-connected disability. As of December 1, 2002, a single veteran receives $104 monthly for a 10 percent disability. A single veteran rated at 100 percent will receive $2,193 a month.

The laws and regulations governing the VA's compensation program are complex, but the basic claims process is relatively simple. Most claimants file an application with the local VA regional office,

frequently helped by a veterans' service organization. The VA then obtains the veteran's service medical records and, if necessary, the veteran's military personnel records. The VA then obtains any medical records and other evidence to substantiate that claim from the VA medical facilities, private physicians, and other Federal agencies.

In most cases, the VA provides the claimant with a medical examination and obtains a medical opinion about the disability. This examination is useful to determine how disabling the veteran's conditions are. We then use a rating schedule to determine the disability evaluation assigned to that particular condition.

The rating schedule is divided into sections for 15 body systems, such as respiratory system, muscular system, cardiovascular. Each disability is described in terms of its symptoms. The more severe the symptoms, the higher the disability rating assigned to it. The rating schedule itself then has 10 grades of disability, beginning with 10 percent, up to 100 percent.

The percentages represent the average impairment of earning capacity resulting from similar injuries in civil occupations. VA has revised the rating schedule many times over the years to try to keep up with new medical principles. We are almost done with the comprehensive revision of the entire rating schedule, which, in fact, was begun in 1991. We hope to make the criteria more clear and objective and consistent with the medical advances we have seen.

When a veteran has more than one compensable service-connected condition, the VA uses a combined rating table to determine the combined service-connected evaluation. This combined rating could include both combat-related and noncombat-related disabilities, particularly in the case of veterans with long military careers.

To discuss briefly the effects of the CRSC benefit program, first, veterans can file for an increase in a disability rating when their condition worsens or the law changes. We expect to receive additional claims for increased evaluations from the military retirees now who are currently receiving compensation for conditions less than 60 percent. It is hard to estimate how many additional claims we will receive. We also expect to receive a number of additional Purple Heart claims for people who had not filed a claim, but did, in fact, get a Purple Heart. That could be as many as 50,000, as we figure right now.

VA anticipates a full support role. We can provide DOD with the documents from a veteran's claims file, including his service medical records that show whether that veteran sustained an injury in armed conflict. We can provide military personnel records, including the DD Form 214, which will show if that veteran has received a Purple Heart, and we will show rating decisions that we have made that will show the evaluation that we had assigned to a specific condition and the effective date of that evaluation.

We and the DOD have been cooperating fully in developing the plans for the most efficient way to get DOD the information that they would need to carry this out. We are testing imaging possibilities now, as well as other means to exchange this very important information. We understand this is a DOD program. Nonetheless, our concern is the veteran, and we will do everything necessary to ensure a successful deployment. Thank you, Mr. Chairman.

[The prepared statement of Secretary Cooper follows:]

PREPARED STATEMENT BY HON. DANIEL L. COOPER

Mr. Chairman and members of the Senate Armed Services Committee, thank you for the opportunity to testify today concerning Section 636 of the National Defense Authorization Act for 2003. As reflected in the language of this new law, enacted as 10 U.S.C. § 1413a, VA's disability evaluation process is a major component in determining entitlement to Combat Related Special Compensation (CRSC) for certain defined combat-related disabled uniformed service retirees, and serves as a guide for DOD's own adjudication process.

VA has extensive experience in administering benefit programs and stands ready to advise DOD as it implements the CRSC program. VA can assist in identifying the approximately 75,000 to 80,000 military retirees whom DOD estimates may be eligible for CRSC. We can also execute an ongoing support role as DOD processes applications for this benefit to eligible future retirees.

A primary criterion for eligibility for this benefit is a disability rating by VA. My purpose today is to provide an overview of VA's service-connected compensation program, including its process for assigning disability ratings. I will discuss the important distinctions between VA's Compensation Program and the CRSC benefit enacted by the National Defense Authorization Act of 2003. We believe that VA can assist DOD's effort to ensure that all eligible military retirees receive the benefits to which they are entitled.

PURPOSE OF VA'S COMPENSATION PROGRAM

The purpose of VA's Compensation Program is to provide monthly payments, or "service-connected compensation," as well as ancillary benefits to a veteran, as specified by law, in recognition of the potential loss of earning capacity caused by disabilities incurred in or aggravated by active military service. The Compensation Program also provides monthly payments, as specified by law, to a surviving spouse, dependent children, and/or dependent parents in recognition of the economic loss caused by a veteran's death during active military service, or subsequent to discharge from military service if the death is a result of a service-connected disability.

Today there are approximately 2,433,000 veterans receiving compensation benefits. The amount of the compensation varies depending on the combined degree of disability resulting from all service-connected disabilities. As of December 1, 2002, a veteran receives $104 monthly for a service-connected condition evaluated as 10 percent disabling. This amount increases in increments for progressively higher disability evaluations, with a single veteran without dependents receiving over $2,000 monthly for a service-connected condition or conditions evaluated as 100 percent disabling.

There is no minimum time period that a veteran must serve on active duty to qualify for service-connected compensation. However, any injury or disease must have been incurred in or aggravated in line of duty. VA law interprets line of duty very expansively. VA compensation is available not only for those injuries or diseases that were incurred in combat, but it is also available for any injuries or diseases that simply occurred during the time period in which the veteran was on active duty, including periods of leave. VA compensation is available for diseases that manifest long after discharge from military duty, but which VA considers, by presumption of law, to be a result of particular circumstances of service. One example is type II diabetes mellitus for which VA has established a presumption, based on National Academy of Science research, that this condition is associated with exposure to herbicides in Vietnam. Veterans who served in country in the Vietnam War who develop diabetes now are eligible for service-connected compensation based on this presumption of law. Compensation is also available for mental conditions, including post-traumatic stress disorder, that are linked to a stressful incident in service.

Injuries or diseases incurred in line of duty do not, however, include any disabilities resulting from a veteran's own willful misconduct.

Entitlement to CRSC, on the other hand, requires a qualifying combat-related disability. This includes a disability attributable to an injury for which the service member was awarded the Purple Heart commendation and which is rated as not less than 10 percent disabling. It also includes a disability incurred as a direct result of armed conflict, while engaged in hazardous service, in the performance of duty under conditions simulating war, or through an instrumentality of war. The Secretary of Defense is directed by statute to prescribe criteria for making such determinations. For any of these types of injuries, the service member must have a disability that is rated as not less than 60 percent disabling.

OVERVIEW OF THE VA COMPENSATION CLAIM PROCESS AND THE SCHEDULE FOR RATING DISABILITIES

While the laws and regulations governing VA's Compensation Program are complex, the basic claims process is simple. Most claimants initiate compensation claims by filing an application with a local VA regional office, frequently with the assistance of a representative from a veterans' service organization. VA obtains the veteran's service medical records and, if relevant, the veteran's military personnel records. Based on information provided by the claimant, VA obtains information and evidence to substantiate the claim, most often in the form of medical records from VA medical facilities or private physicians or records from other Federal agencies. If necessary to decide entitlement to compensation, VA provides the claimant with a medical examination or obtains a medical opinion. This examination is useful to determine the disabling nature of the service-connected condition.

Pursuant to statute, 38 U.S.C. § 1155, VA uses a rating schedule to determine the disability evaluation to assign to a particular condition. The rating schedule determines "reductions in earning capacity" caused by a particular disease or injury, categorized into 15 separate body systems, and assigns a disability percentage. The rating schedule, contained in 38 C.F.R. Part 4, provides for 10 grades of disability, beginning with 10 percent and ending with 100 percent, representing, as far as is practicable, the average impairment of earning capacity resulting from diseases and injuries and their residual conditions in civil occupations. "[T]he degrees of disability specified are considered adequate to compensate for considerable loss of working time from exacerbations or illnesses proportionate to the severity of the several grades of disability." 38 C.F.R. § 4.1.

Under each body system are listed specific diseases and medical conditions, each assigned a diagnostic code. Each disease or medical condition is described in terms of its symptoms that signify degrees of disability. The greater and more severe the symptoms, the higher the disability rating. The maximum disability evaluation that can be assigned for a particular medical condition varies depending on the disabling effects of its symptoms. For instance, diabetes that is managed by a restricted diet warrants a 10 percent evaluation, whereas diabetes requiring a restricted diet, regulation of activities, and insulin injection merits a 60-percent evaluation.

There are other regulations that provide for increases or decreases in the total evaluation assigned under the rating schedule criteria when there are multiple service-connected conditions. For instance, VA regulations limit the combined rating percentage that can be assigned for multiple disabilities of one arm or one leg. Other regulations increase the rating assigned when there is partial disability of both arms or both legs, because the combined effect of these impairments exceeds the average earning impairment reflected by the single disability evaluations for each condition in the rating schedule.

There are also regulatory provisions that provide for compensation for secondary service-connected conditions, that is, those disabling conditions that are caused by a service-connected condition, but were not themselves incurred in or aggravated by service.

When a veteran has more than one compensable service-connected condition, VA does not simply add up the disability rating percentages to arrive at a total evaluation percentage. Rather, it uses a combined ratings table to determine the combined service-connected evaluation. This combined rating often includes both combat-related and non-combat-related disabilities incurred in or aggravated by service, particularly in the cases of veterans with long military careers who served both in wartime and peacetime eras.

Pursuant to its statutory authority in 38 U.S.C. § 1155, VA has revised the rating schedule many times over the years to incorporate the increasingly sophisticated diagnostic tools of modern medicine and the knowledge that they provide. Most importantly, we are nearing completion of an ambitious and comprehensive revision of the entire rating schedule, begun in 1991, to incorporate more objective criteria for determining the degrees of disability for a particular medical condition, remove ambiguous language, clarify medical terminology, and add new disabilities under the respective body systems. VA has made steady progress in publishing final revised regulations pertaining to 12 of the 15 body systems in the rating schedule. Public comments to the proposed changes to the rating schedule for the Musculoskeletal System, one of the most comprehensive sets of rating schedule changes we have proposed to date, are under review at the present time.

EFFECT OF THE CRSC BENEFIT PROGRAM ON VA DISABILITY CLAIM FILING

There is no limitation period for a veteran to file a claim for VA compensation. It is possible for a claimant to establish entitlement to compensation benefits re-

gardless of how long after discharge from Service the claim is filed. The date a claim is filed does affect the period of entitlement.

Just as there is no limitation period for the filing of an initial claim for VA disability compensation, there is no limitation on the number of times a veteran may claim entitlement to an increased evaluation for a service-connected condition. An increased evaluation may be warranted by a change in law, such as a revision to the rating schedule regulations, new medical knowledge, or a worsening of the service-connected condition.

VA believes that it is likely that there will be an increase in claims for increased evaluations from military retirees who are currently receiving VA compensation for combat-related conditions whose evaluations combine to less than a 60-percent evaluation. However, we are unable to provide an estimate of the number of such claims. While VA records will show the number of retirees who served during various periods of war as well as whether they have a combined evaluation of at least 60 percent for all service-connected conditions, this data is not a good indicator of the number of claims we can expect from retirees who may seek an increase in their evaluation in order to qualify for CRSC. The fact is, the combined service-connected evaluation includes both combat-related and non-combat-related conditions. In addition, the detailed information DOD will require to determine such eligibility, such as whether a particular service-connected condition was sustained while a veteran was engaged in hazardous service or sustained through an instrumentality of war, is information not historically collected by VA. This information, however, may be documented in a veteran's VA claims file.

In addition, we expect to receive new claims from military retirees who are not currently service connected for any medical conditions but who will file claims now that they may be eligible to receive additional compensation, instead of merely a percentage of military retirement pay tax free.

VA ANTICIPATES A FULL SUPPORT ROLE

The VA claims folder of a military retiree receiving VA compensation will contain various types of records that would be of use to DOD in deciding whether a retiree is entitled to CRSC benefits. For instance, service medical records may show whether a veteran sustained an injury in armed conflict. Military personnel records, including the DD–214, usually show whether a veteran received the Purple Heart commendation. Rating decisions of record would indicate the evaluation VA assigned to a specific condition and the effective date of that evaluation. VA can make these types of records, or the information contained in them, available to DOD for the CRSC claims process.

Shortly after the enactment of the National Defense Authorization Act for 2003, VA began discussions with DOD in anticipation of DOD's effort to implement the CRSC benefit program. VA has shared the following with DOD representatives:

- Information concerning the details of the claims process under VA's Compensation Program
- Feedback to DOD on its CRSC policy formulation
- Discussions on possible alternative procedures for information sharing
- Initial analysis of how different procedural scenarios could be adapted to VA's own work processes

Ongoing discussions continue between VA and DOD in order that we can develop a process for information sharing that will result in the most efficient transfer of the VA claims data needed by DOD to effect the purpose of the CRSC benefit as envisioned by Congress. We understand clearly that this is a DOD program. Nonetheless, we want to assist in ensuring its successful deployment.

Senator CHAMBLISS. Thank you, Secretary Cooper. Let me make sure I understand something you just said. Did you just say that you think you will receive an additional 50,000 applications from Purple Heart recipients who have not to this date filed an application for benefits?

Secretary COOPER. Yes, sir. We expect 40,000 to 50,000 applicants who have not filed yet.

Senator CHAMBLISS. Now, are you saying they have not filed yet because they do not think they are entitled to the benefits because of concurrent receipt?

Secretary COOPER. No. I think they have not filed because it really was not worthwhile to file for 10 percent. These people are retired, so they had the same issue we have discussed before; namely, do they want to get just their retirement pay or have their retirement pay reduced so that they can get VA compensation. Under the new law, it would be worthwhile for them to file, so I can expect an increase of about 40,000 to 50,000, predicated on the number that we know who have been awarded the Purple Heart but have not filed.

Senator CHAMBLISS. So from the standpoint of trying to determine what the cost of this program might be, there is really no way to estimate what that number is, or what the amount of the benefits might be.

Secretary COOPER. That is correct. Estimating is very difficult, because we have both the Purple Heart recipients and also some people who will want to be re-examined to possibly increase their disability rating 40 or 50 percent to 60 percent. We have no idea of what that number might be.

Senator CHAMBLISS. Thank you.

Secretary Abell, the subcommittee recognizes that implementation is a significant undertaking, but it sounds like you are well on your way to making sure that this is done in short order. I commend you for that. In working through the administration of the new program, have you encountered any legislative challenges that this subcommittee should address to either streamline the administration of the benefit or remove any inconsistencies in its application?

Secretary ABELL. Senator, we have looked at this at each one of the reviews in which I have participated on this, and at this point I do not see any. We have yet to receive our first application, so we may find some, but at this point we think we understand the legislation pretty clearly, and we think our implementation plan will implement it as you intended.

Senator CHAMBLISS. I realize you have not been in this position that long, but are you aware of whether or not the Department has considered any other approaches to providing long-term benefits for disabled military retirees?

Secretary ABELL. Senator, we have still on the book, as you may recall, a severely disabled special compensation which was sort of the first attempt of Congress to deal with overcoming the offset, which is still in place. We are paying that, as well as the combat-related special compensation that I have just discussed earlier. Those are the only two programs in which we are participating and those were both initiated in the legislative branch, sir.

Senator CHAMBLISS. Do you feel there is adequate and appropriate interaction between DOD and the Department of Veterans' Affairs in the area of coordination of health care benefits and compensation programs?

Secretary ABELL. I am happy to report that Secretary Cooper and his team have bent over backwards to help us. As a matter of fact, they have shown us where we, at times, when we first went to meet with them, were not asking the right questions, and they were able to help us by pointing us in directions that we had yet to think of.

Senator CHAMBLISS. Secretary Cooper, let me ask you that same question. Is the communication and dialogue between DOD and the Department of Veterans' Affairs what it should be on this issue?

Secretary COOPER. Absolutely. We work very closely, our people, at every one of their meetings, so I have no complaints at all.

Senator CHAMBLISS. Secretary Abell, in the 2003 Defense Authorization Act, the Department was given the authority to establish criteria and procedures for implementing special compensation for the combat-related disabilities. Do you agree there should be one set of criteria and interpretive guidance for all the Services regarding eligibility for this compensation, and what is the Department doing to ensure that one set of criteria is all that will be used?

Secretary ABELL. We are developing a single set of criteria that all Services will use, and the Department's role is to monitor what each of the Services do. We plan an annual review at this point of the cases that they have adjudicated to make sure that we have consistency and common understanding.

In addition, the appeal process to which I referred will be to the Office of the Secretary of Defense, although that part is not exactly worked out at this point, again to make sure that we have a uniform and consistent approach to this.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

Secretary Abell, first I want to thank you and congratulate you for responding to my suggestion from just a year ago. It is good to see that technology can be used to help people understand what they have and how they can access it, and I appreciate that.

In your prepared statement, do I understand you to state that DOD opposes members receiving both benefits concurrently, "because these two programs were intended for two entirely separate populations, retirees and nonretired veterans." The implication is that retirees are not authorized beneficiaries of the VA disability compensation system, and I do not think that is accurate. VA routinely provides VA disability compensation to military retirees. What is the basis, if I understand it correctly, to conclude that the programs are intended for two entirely separate populations when both populations by law and by practice are authorized to receive VA disability compensation?

Secretary ABELL. They are both authorized to receive it. If you are a retiree, of course, it is offset, as you accurately pointed out in your statement, by a law that was passed in 1891. The position of the Department and, I believe, the administration is that this would be two pays for one Service, and that is the basis for my statement there. If I was not clear in my articulation, that was my intent.

Senator BEN NELSON. You agree with that?

Secretary ABELL. Yes, sir.

Senator BEN NELSON. That that is the way it ought to be?

Secretary ABELL. Yes, sir.

Senator BEN NELSON. Secretary Cooper, Secretary Abell has suggested that military retired pay is for military retirees and VA disability compensation is for nonretired veterans, as we have just discussed. Does the VA agree with this statement, that the military

retirement system and the VA disability compensation system are intended for two entirely separate populations?

Secretary COOPER. That is for me a very difficult question. I am trying to deal with all the veterans.

Senator BEN NELSON. It is hard to distinguish between categories of veterans?

Secretary COOPER. For me it is, yes, sir. Yes, sir. Anybody who is a veteran then is eligible for any compensation, any program that we have, whether it is education, insurance, or disability compensation.

Senator BEN NELSON. Well, then, I suspect a veteran, as specified by law, would include military retirees as well, if they have been veterans in the process.

Secretary COOPER. Our definition of a veteran is a person who has been in the military.

Senator BEN NELSON. I will not belabor the point, Secretary Abell. There is no sense in making it more difficult, but it is hard to understand an example of two people who are veterans in the Navy. They are both injured, both sailors, both injured incident to service, no question about that.

One decides to leave the Navy but somehow is employed as a civilian employee by the Department of the Navy, and ultimately retires from that position. The other remains in the Navy and retires after 20 years plus of honorable service. Both have similar disabilities, but they may have different compensation. Am I misreading that, or is that the way the law is currently interpreted and applied?

Secretary ABELL. That is the way it is interpreted and applied, sir.

Senator BEN NELSON. I do not think I have any further questions. Thank you, and thanks for taking care of that notification. That is a prompt response and I appreciate that. Thank you.

Secretary ABELL. Yes, sir.

Senator CHAMBLISS. He learned to be that prompt by serving on this committee. [Laughter.]

That is where he got all that good training.

Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

Secretary Abell, without meaning to put you further on the spot, I am going to follow up on what Senator Nelson just asked you about, because I was going to give exactly the same scenario, only I was going to use two soldiers who had entered the Service at the same time.

Senator BEN NELSON. It can be bipartisan.

Senator COLLINS. That is right, but it is troubling that if you had two soldiers enter the Service at the same time, went through the same training, same deployment, were injured in the same way, and one soldier stays in the military for a career and the other leaves and goes into the private sector, that they are treated differently when it comes to retirement.

That troubles me as a matter of fairness, but I would like to ask you a question about it from a different perspective. Is the current ban on full concurrent receipt a disincentive for members of our Armed Forces to remain in the military if they are injured early

in their careers but not injured to the point where they would have to have a medical discharge?

Secretary ABELL. Ma'am, we have looked at this a number of different ways, and I can find no evidence that future compensation for an injury would influence the stay-or-go decision of a soldier or sailor or airman or marine.

In fact, I do not know whether you saw it this morning. Three marines and two soldiers who had been injured in Iraq were interviewed by the press at Landstuhl Army Hospital. One of the questions they asked them was, are you going to stay in or get out? One Army sergeant who had served 12 years said that he was going to get out, but he quickly said, "my wife and I made that decision before I was ever deployed, so I am going to get out." Both of the other two hoped that they would be allowed to stay in, that they wanted to serve even though they had injuries, both of which were potentially disabling. One had a severe hand injury and the other a severe foot injury, but they said they recognized that they may not be able to perform the same duties, but they both wanted to serve.

All three are examples of great young Americans, but the point is that these are three anecdotes that reflect what I think we have found in our reviews. Most of these folks want to stay as long as they can, and their injury notwithstanding, they stay. They are not looking for future compensation at the time they make those decisions.

Senator COLLINS. As Secretary Cooper knows, concurrent receipt is a top priority of our veterans' service organizations. In fact, every year, when our VFW and our American Legion and our disabled vets organizations come to Washington, that is always on the top of their list.

Have you opened a dialogue with the advocacy groups for veterans to see if there is another approach to this issue, or a different way to work it that would satisfy their concerns for fairness, and yet address your understandable concerns about the impact on the budget?

Secretary ABELL. I think it is fair to say that over the years we have tried to engage in that dialogue and find some sort of middle ground on which we could both agree, and the situation is that we have agreed to disagree.

Senator COLLINS. Secretary Cooper, any better luck on the VA side?

Secretary COOPER. No.

Senator COLLINS. Okay. Well, I thought I would ask.

Secretary Cooper, do you believe that the eligible veterans are aware of the new compensation that we authorized last year?

Secretary COOPER. I believe that the veterans' service organizations have done an awful lot in trying to make them aware. It is occasionally difficult to figure out across the total population all the benefits of which they might be aware. I would be very wary of judging that, but I will say I think the veterans' service organizations have done a tremendous job in trying to get that information out.

Senator COLLINS. Is the VA embarking upon any sort of campaign to try to reach veterans who might be eligible?

Secretary COOPER. We will be doing that as soon as we and DOD decide on exactly what the process is. We have informed our regional offices so they are aware and ready for when something happens, but right now we have made them aware of exactly what the rules are right now, but people are waiting to see what the application process is. I have not noted specifically any increase in claims coming to us because of the possibility of the CRSC.

Senator COLLINS. Thank you, Mr. Chairman, and let me take this opportunity to thank you for your leadership in this area, for holding this hearing, and since I am going to leave to catch a plane to Maine, I would ask unanimous consent that a statement that I had be put in the record.

Senator CHAMBLISS. Absolutely.

Senator COLLINS. Thank you.

[The prepared statement of Senator Collins follows:]

PREPARED STATEMENT BY SENATOR SUSAN M. COLLINS

Thank you Mr. Chairman. I want to express my appreciation both to you, and the Chairman of the full committee, Senator Warner, for holding this hearing. I am proud to be a cosponsor of the legislation that Senator Reid has recently introduced that would allow disabled retirees to receive both their full retirement pay and their full disability compensation. It is a case of fundamental fairness that those who have honorably served our Nation should receive all the compensation that they have earned. Retirement pay and disability compensation are two separate items, and are provided based on separate criteria. Military retired pay is given based on length of service, while disability compensation is based on injuries incurred while on active duty. It is fundamentally unfair to offset these very different forms of compensation.

Last year, this committee did take a step forward in correcting this inequity. The Fiscal Year 2003 National Defense Authorization bill included provisions that will, in effect, provide at least partial concurrent receipt for some veterans. Those retirees who have received a Purple Heart and have at least a 10 percent disability will receive payments equal to the amount of VA disability compensation they are owed. Also, those retirees with at least a 60 percent disability incurred in the line of duty will also receive the equivalent of their VA disability compensation. While I believe that we need to do better, this legislation provides an important first step to providing full concurrent receipt to our Nation's veterans.

In recent years, the Senate has come out in strong support of full concurrent receipt. On a number of occasions, we have passed legislation by unanimous consent that was sponsored by Senator Reid. Each time, it was met with stiff resistance by the House of Representatives. Last year, and largely as a result of intense lobbying by the veterans' service organizations testifying before us today, as a part of the Fiscal Year 2003 Defense Authorization bill, the House approved a limited concurrent receipt provision that would have provided compensation for the most disabled veterans. However, the administration threatened a veto on this provision.

We were faced with a very difficult situation. The Defense Authorization bill contained provisions vitally important to the well-being of our Armed Forces. It included a substantial pay raise, authorization for military construction projects, and other provisions aimed at improving the quality of life for our troops and their families. The only way to move forward, and provide the men and women of our military with the benefits they need, was to support the limited concurrent receipt provisions that were passed into law.

We cannot allow this situation to be repeated. Our Nation's veterans deserve better. I understand that the costs of full concurrent receipt are daunting. However, we can never place a price tag on the heroic service of our Nation's veterans. It is incumbent on us to work with both the veterans' service organizations, as well as the administration, to find a solution that will ensure that those who have sacrificed so much for our Nation receive the compensation they have earned.

Senator CHAMBLISS. Do you have any follow-up, Senator?

Senator BEN NELSON. No, I do not have any further questions, Mr. Chairman.

Senator CHAMBLISS. Gentlemen, thank you both for your continued cooperation and dialogue on this, and we look forward to staying in touch with the implementation of last year's provision as we move forward. Thank you.

Secretary ABELL. Thank you, Senator.

Secretary COOPER. Thank you.

Senator CHAMBLISS. Our next panel, Sarah Jennings, the principal analyst from the Defense Cost Estimate Unit at the Congressional Budget Office; Carolyn Merck, former specialist in social legislation from the Congressional Research Service; and Cynthia Bascetta, Director of Veterans' Health and Benefits from the General Accounting Office.

Ladies, thank you first of all for your work in this area. You are three of the real noted experts, and we appreciate your being here today, and we look forward to hearing from you. We will be glad to put in for the record any full statement that you want to submit, and we look forward to your comments. Ms. Jennings, we will start with you. Thank you.

STATEMENT OF SARAH JENNINGS, PRINCIPAL ANALYST, DEFENSE COST ESTIMATE UNIT, CONGRESSIONAL BUDGET OFFICE

Ms. JENNINGS. Thank you, Mr. Chairman.

Mr. Chairman, members of the subcommittee, I am pleased to appear before you this afternoon to discuss the Congressional Budget Office estimate of the cost of allowing concurrent receipt to military retirees and to retirees from the other uniformed services. I do have a longer testimony that I would like to submit for the record.

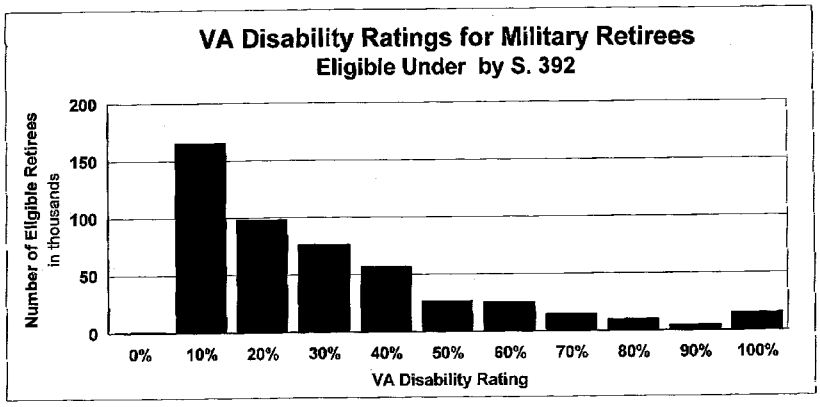
I would like to summarize my testimony by answering the following questions. What would it cost to allow concurrent receipt, and how many retirees are affected by the prohibition on concurrent receipt, and how disabled are they?

The estimated cost of concurrent receipt: CBO most recently estimated the cost of allowing concurrent receipt of full retirement annuities and disability compensation in its cost estimate for the Retired Pay Restoration Act of 2001—that was S. 170—as it was incorporated into the Senate-passed version of last year's Defense Authorization Act.

Senator Reid has introduced a similar bill in this Congress, S. 392, the Retired Pay Restoration Act of 2003, but we have not completed our estimate of that bill. Nevertheless, based on our previous estimates, we expect that legislation might increase direct spending for retirement payments and veterans' disability compensation by about $41 billion over the 2004 to 2013 period. We estimate the annual increase in outlays would be about $3.3 billion in fiscal year 2004, increasing to about $5 billion in fiscal year 2013.

I would like to refer you to table 1 in my testimony, also displayed on the chart here, to give you a brief overview of the preliminary estimate.

[The information referred to follows:]



The Retired Pay Restoration Act of 2001 would have allowed uniformed service retirees to receive concurrently veterans' disability compensation and a retirement annuity based on years of service. Last year, in our estimate for S. 170, we estimated that allowing concurrent receipt would have increased mandatory outlays by about $46 billion over the 2003 to 2012 period.

To produce a preliminary estimate of the cost of S. 392 for this testimony, we adjusted that cost to account for our latest assumptions about cost-of-living adjustments and to encompass the 2004 to 2013 period. Our updated estimate of the full cost of concurrent receipt would be $49 billion over the 2004 to 2013 period. The net cost of concurrent receipt, however, would be lower.

Senator Reid's bill, S. 392, would repeal two special compensation programs, one for severely disabled retirees, and one for retirees with combat-related disabilities. These programs were enacted to partially address the concurrent receipt issue. CBO estimates that repealing these programs would reduce the cost of S. 392 by about $8 billion, to $41 billion over 2004 to 2013. That spending would increase outlays for military retirement by 9 to 10 percent.

These are preliminary estimates, however. We have not incorporated the latest population data from DOD, and even more importantly, though, DOD has yet to publish the regulations for implementing the program of special payments for combat-related disabilities. Once the details of that program are worked out, what causes of injuries and diseases will qualify a retiree for benefits? What will constitute sufficient documentation of those causes, it is very likely that we will adjust our estimate of its costs.

Should we reduce our estimate for this special compensation program, the net cost of concurrent receipt would go up. Conversely, should our estimate increase, the net cost of concurrent receipt would go down.

How many retirees would be affected by this legislation? According to DOD, in 2002, the prohibition on paying both retirement and VA benefits affected about 541,000 military retirees with normal length of service retirement, and about 144,000 retirees of the uniformed services with disability retirements. These retirees had

about $4 billion withheld from their annuity checks to offset their VA disability compensation. Most of the recent proposals to allow concurrent receipt, including S. 392 and S. 170, would offer that benefit to all retirees who are eligible to retire based on years of service. That includes all longevity retirees, and those who received a disability retirement after completing at least 20 years of service.

In fiscal year 2002, there were 1.9 million military retirees. Of these, over 563,000 would have qualified for concurrent receipt under these bills. I will refer to these qualifying retirees as eligible retirees.

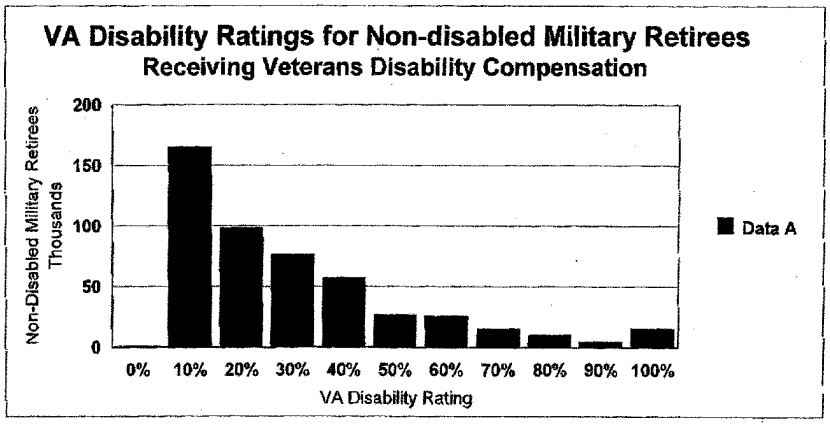
The largest and fastest-growing portion of these eligible retirees are members who retired from active duty based on their years of service, longevity, or, as they are often called, nondisability retirees. The number and percent of such retirees receiving veterans disability compensation have been growing steadily for at least the last 15 years. In 1988, 25 percent of nondisability retirees from the active duty military received disability compensation from VA. That percentage grew steadily through the 1990s. By 2002, more than 36 percent of nondisability retirees were receiving VA disability benefits. This increase is a significant factor in the growth of the cost of concurrent receipt.

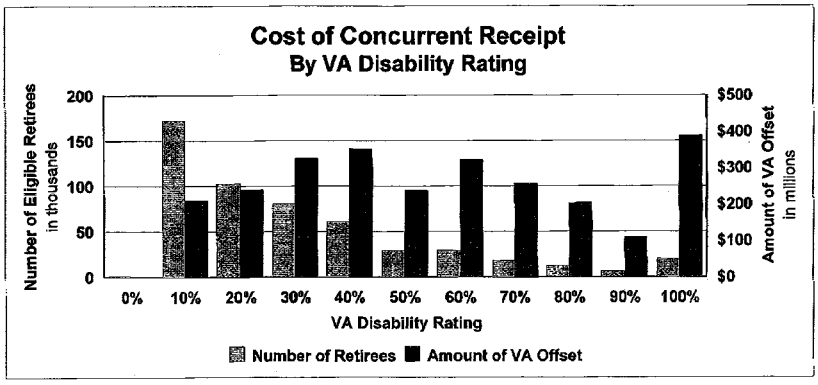
CBO expects this growth trend to continue both in percentage terms and in the absolute number of retirees receiving VA disability benefits, in part because recent retiree cohorts are receiving VA disability compensation at rates considerably higher than the total retiree population.

For example, 56 percent of the nondisability retirees from active duty in fiscal year 2000 were receiving veterans' disability compensation by the end of fiscal year 2002. As long as new retirees are receiving disability compensation at rates considerably greater than the full population, CBO expects the number of retirees receiving VA disability compensation to continue to grow, even as the retired population as a whole levels off and begins to decline.

How disabled are these retirees who would be affected by this legislation? This first chart here shows the distribution of retirees who would be eligible to receive concurrent receipt under S. 392 distributed across VA disability ratings, and this is the population as of September 2001. This is the last year's data that I have totally analyzed the largest number rated at 10 percent disabled, and over two-thirds are rated 30 percent disabled or less. Only 16 percent of these retirees are rated by VA as 60 percent or more disabled.

The second chart, which is coming here, shows how the additional benefits that would be paid under concurrent receipt are more broadly distributed across ratings than are the retirees. While two-thirds of the retirees are rated 30 percent or less disabled, they account for only about one-third of the cost. The categories of 40 percent to 60 percent, and 70 percent to 100 percent, each account for 35 percent of the cost of concurrent receipt.





Overall, about half the additional benefits would go to those rated 50 percent or less, and half to those rated 60 percent or greater.

That concludes my statement, Mr. Chairman. I would be happy to answer any questions the subcommittee might have.

[The prepared statement of Ms. Jennings follows:]

PREPARED STATEMENT BY SARAH JENNINGS

Mr. Chairman and members of the subcommittee, I am pleased to appear before you this afternoon to discuss the Congressional Budget Office's (CBO) estimate of the costs of allowing total or partial concurrent payment of retirement annuities together with veterans' disability compensation to retirees of the military, the Coast Guard, the Public Health Service (PHS), and the National Oceanic and Atmospheric Administration (NOAA) who have service-connected disabilities.

I would like to summarize my testimony by answering the following three questions:

- What is concurrent receipt? Under current law, veterans who are retired from the military, the Coast Guard, PHS, or NOAA cannot receive both full retirement annuities from the Department of Defense (DOD) and disability compensation from the Department of Veterans' Affairs (VA). Allowing the receipt of both benefits is often referred to as "concurrent receipt." Because of the prohibition on concurrent receipt, military retirees must choose between receiving a full, but generally taxable, retirement annuity, or accept-

ing the nontaxable veterans' benefit and, in exchange, forgoing an equal amount of their retirement annuity.

• How many retirees are affected by this prohibition? According to DOD, in fiscal year 2002, the prohibition on receiving both retirement and VA benefits affected about 545,000 retirees of the uniformed services with normal length-of-service retirements and about 147,000 retirees of the uniformed services with disability retirements; all together, those retirees had about $4 billion withheld from their annuity checks in that year to offset their VA disability compensation.

• How much would allowing concurrent receipt cost? CBO has not yet updated its estimates of the cost of allowing concurrent receipt to reflect the latest data. Last year, CBO estimated that providing concurrent receipt would increase direct spending by $46 billion over the 2003–2012 period. (All years referred to in this testimony are fiscal years.) In late 2002, however, lawmakers enacted legislation that authorized some retirees with combat-related disabilities to receive special compensation equivalent to concurrent receipt; that special compensation would no longer be paid if Congress authorized concurrent receipt. Last December, CBO estimated that the special compensation program would cost $6 billion over the 2003–2012 period. After updating last year's estimates of full concurrent receipt to reflect our latest economic assumptions and to encompass the 2004–2013 period and subtracting our estimate of the costs associated with the recently enacted program, we estimate that the net cost of allowing concurrent receipt might be around $41 billion over the 2004–2013 period (see Table 1). The annual cost would start at about $3 billion in 2004 and grow to about $5 billion by 2013. The estimated cost may change, however, once we incorporate the latest population data from DOD and the Department determines how it will implement the new program of special compensation for combat-related disabilities.

TABLE 1. PRELIMINARY CBO ESTIMATE OF THE COST OF PROVIDING CONCURRENT RECEIPT (Outlays, in billions of dollars)

	2004-2008	2004-2013
Direct Spending		
Estimated full cost of concurrent receipt	21.1	48.8
Estimated cost of special compensation programs that would be eliminated	-3.2	-7.7
Estimated net cost of concurrent receipt	17.9	41.1

SOURCE: Congressional Budget Office.

NOTE: Implementing the Retired Pay Restoration Act of 2003 (S. 392) would also require an increase of $15.4 billion over the 2004-2013 period in the Department of Defense's annual payment to the Military Retirement Trust Fund. That intragovernmental transfer would be made from funds appropriated to the military personnel accounts.

I will now review several factors in more detail:

• The impact of the current prohibition on the concurrent receipt of those payments,

• Recent congressional actions to provide special payments to certain severely disabled retirees, along with their estimated costs,

• The populations affected by this prohibition and their degree of disability as rated by the Department of Veterans' Affairs, as well as their rate of growth over time, and

• How CBO estimated the costs of providing concurrent receipt to those retirees and the costs of recently enacted legislation that authorized some retirees to receive special compensation equivalent to concurrent receipt.

THE EFFECT OF THE PROHIBITION ON CONCURRENT RECEIPT

Data from the uniformed services indicate that in 2002, the prohibition on paying both retirement and veterans' disability compensation concurrently caused about $2.8 billion to be withheld from annuity payments to about 539,000 Department of Defense retirees with normal length-of-service retirements (also referred to as nondisability retirements) and about 6,000 Coast Guard, PHS, and NOAA retirees who fall into that category. That withholding is called the "VA offset." In addition, 144,000 DOD retirees and about 3,000 Coast Guard, PHS, and NOAA retirees with disability retirements had their annuities reduced by $1.3 billion in 2002 because of veterans' disability compensation.

Beginning in 1999, Congress passed two measures to partially or totally compensate some retirees for those reductions in their annuities. When fully implemented, those measures would have offset about 11 percent of the $4 billion impact of those reductions in 2002. The first of those measures, enacted as part of the National Defense Authorization Act for Fiscal Year 2000 and enhanced in the Defense Authorization Acts for Fiscal Years 2001 and 2002, created a program of special compensation for certain severely disabled retirees of the uniformed services. Depending on a retiree's degree of disability, that program now provides a monthly stipend of between $50 and $325 to those retirees who were found, within 4 years of retirement, to have a service-connected disability that was rated as 60 percent or greater. In September 2004, the stipends will increase for eligible retirees whose disabilities are rated by VA or DOD at 70 percent, 80 percent, 90 percent, or 100 percent by $25 a month to $125, $150, $250, and $350, respectively. The stipend for eligible retirees who are rated 60 percent disabled will remain at $50 a month. According to DOD, that special compensation program paid an average monthly benefit of $167 to 34,533 retirees in February 2003. Including retroactive benefits, the program will cost about $77 million in 2003, CBO projects, and an average of about $100 million a year over the 2004–2013 period.

That program has been partially superseded by a second special compensation program that provides eligible retirees with a monthly benefit equal to the reduction in retirement benefits called for under current law, to the extent that the reduction is based on a qualifying combat-related disability. Retirees of the uniformed services who served for 20 or more years will be eligible to receive those payments if they have a service-connected disability that is related to the injury for which they received a Purple Heart or if they have a service-connected disability that was incurred as the result of certain duty-related activities and is rated as 60 percent or more disabling by the VA. This measure was enacted as part of the National Defense Authorization Act for Fiscal Year 2003 and is scheduled to take effect in June of this year. CBO estimates that as many as 40,000 retirees may qualify for the new benefit. Many of those retirees also qualify for the first special compensation program and will have to stop receiving those benefits to qualify for the larger benefits offered under the new program. Outlays for both programs will be about $350 million in 2004, CBO estimates, and $7.7 billion over the 2004–2013 period.

Before I present CBO's cost estimates for concurrent receipt and the special compensation programs, I would like to give you a brief overview of the demographics of this retiree population because this data underpins our estimates of concurrent receipt proposals.

THE MILITARY RETIREE POPULATION

Active-duty personnel retire from the uniformed services with either a disability retirement or a nondisability one. If DOD determines that a service member is unable to perform his or her duties for medical reasons, DOD may offer that person a disability retirement. Payments under such a retirement are based on the member's highest 3 years of basic pay and on either the degree of disability or the number of years of service, whichever would result in a larger annuity. A disability retirement may be granted at any point in a person's military career. In 2002, 94,000 active-duty retirees who retired with a disability retirement received annuities totaling $1.2 billion from the Military Retirement Trust Fund.[1] Most service members, however, do not receive a disability retirement—but rather a nondisability, or longevity, retirement. Nondisability retirees usually have 20 years to 30 years of service, and their retirement annuity is based on both pay and years of service. In 2002, 1.4 million nondisability retirees were paid $29 billion in retirement annuities.

[1] Another 99,000 disability retirees received no annuity payments because their retirement annuities were totally offset by their VA disability compensation payments. The number of disability retirees who retire while on active duty includes reservists who receive disability retirements.

About 75 percent of disability retirees and 36 percent of nondisability retirees have their annuities offset, or reduced, to account for disability compensation payments they receive from the Department of Veterans' Affairs. In the absence of those offsets, disability annuities for active-duty retirees in 2002 would have been $1.2 billion higher and nondisability annuities would have been $2.8 billion higher.

Members of the National Guard and Reserve are also eligible for disability and nondisability retirements. However, while reservists may retire from active participation in the Reserves after completing 20 creditable years of service, they cannot receive nondisability retirement annuities before reaching age 60. According to data from DOD, 249,000 retirees of the National Guard and Reserve were paid a total of $2.8 billion in retirement annuities in 2002. Elimination of the VA offset would have added $62 million to that figure.

THE NUMBER OF RETIREES RECEIVING DISABILITY COMPENSATION FROM VA

Upon leaving uniformed service, a veteran can apply to the Department of Veterans' Affairs for disability compensation if he or she believes that a physical or mental condition was caused or aggravated by uniformed service. If VA determines that to be the case, then it awards disability compensation to the veteran for the service-connected disabilities. Data provided by DOD indicate that a significant and growing proportion of retirees are found by VA to have compensable disabilities.

Nondisability Retirees

CBO's analysis of that DOD data indicates that, in 1988, before DOD and VA began working together to streamline the disability application process for service members separating from the military, almost 289,000 (or 25 percent) of nondisability retirees from the active-duty military received disability compensation from VA. That percentage climbed steadily through the 1990s. By 2002, almost 527,000, or more than 36 percent, of the 1.4 million nondisability retirees were receiving VA's disability benefits.

CBO expects that growth to continue, both in percentage terms and in the absolute number of retirees receiving VA's disability benefits because recent retiree cohorts are receiving VA's disability compensation at rates considerably higher than the total retiree population. For example, of the 36,584 nondisability retirements from active duty in 2000, 20,449 (or 56 percent) were receiving veterans' disability compensation by the end of 2002. As long as new retirees are receiving disability compensation at rates significantly greater than the full population of retirees, CBO expects the number of retirees receiving VA's disability compensation to continue to grow, even as the retired population as a whole levels off and begins to decline.

Disability Retirees

Disability retirements from the Active and Reserve Forces have been decreasing steadily for many years; the current number of disability retirees is about 193,000. At the same time that their total number has been declining, the percentage of disability retirees receiving veterans' disability compensation has been increasing, up to its current level of 75 percent. That growth may be due, at least in part, to the fact that the tax treatment of disability annuities has changed for members who entered the uniformed services after 1975. The disability retirement annuities of the older retirees were partially or totally tax free, providing less incentive for those retirees to apply for the offsetting, but tax free, veterans' benefits. Only retirees who thought the veterans' benefit might exceed their DOD annuity or who wanted to use the VA's hospitals had reason to apply to VA. For service members who retired after that date, only retirement annuities that have been awarded because of combat or combat-related injuries are tax free, and only to the extent that they are due to the disability and not to years of service. Thus, it appears that those more recent retirees have a greater incentive to apply to VA for disability compensation. Those two effects—a decreasing number of disability retirees, but an increasing percentage of them receiving disability compensation from VA—have tended to offset each other in recent years, resulting in a relatively stable number of disability retirees with a VA offset. CBO expects little change over the next several years.

Reserve Retirees

About 14,500 retired reservists received disability compensation from VA in 2002. That amounts to less than 6 percent of the 251,000 nondisability Reserve retirees. Because Reserve retirees spend so little of their career on active duty, they find it more difficult than full-time active-duty retirees to prove that their disabling conditions are service-connected. They are also less likely to be injured while on active duty. The percentage of Reserve retirees receiving disability compensation decreased steadily through the 1990s, down from about 6 percent in the mid-1980s to less than

5 percent in 1999, before increasing suddenly in 2000. Reservists do not receive retirement pay before they reach age 60, so there is a gap of 10 years to 20 years between the time they end their military service and when they show up on the retiree rolls. Thus, the recent increase may be a lagged reflection of the streamlined application process that seems to have fueled the growth in receipt of disability compensation among active-duty retirees. CBO expects that trend to continue for the foreseeable future.

DEGREE OF DISABILITY AMONG MILITARY RETIREES

Most recent proposals to allow concurrent receipt would offer that benefit to all retirees who were eligible to retire on the basis of years of military service. That category would include all longevity retirees and those who received a disability retirement after completing at least 20 years of service. Figure 1 shows the distribution of such retirees across VA's disability ratings as of September 2001. The largest number (roughly 173,000) are rated at 10 percent disabled, and more than two-thirds (nearly 358,000) are rated 30 percent disabled or less. Only 16 percent of retirees (about 85,000) are rated by VA as 60 percent or more disabled.

Figure 2 shows how the benefits from concurrent receipt would be distributed. When the total amount of the VA offset in 2001 is distributed over VA's disability ratings, it becomes clear that the aggregate additional benefits would be more broadly distributed across ratings than are the retirees. Those rated 30 percent or less account for about 30 percent of the cost as compared to two thirds of the retirees. The categories of 40 percent to 60 percent, and 70 percent to 100 percent each account for 35 percent of the cost of concurrent receipt. Overall, about half the cost would go to those rated 50 percent or less, and half to those rated 60 percent or greater.

THE ESTIMATED COST OF PROVIDING CONCURRENT RECEIPT

CBO most recently estimated the cost of allowing concurrent receipt of full retirement annuities and veterans' disability compensation in its cost estimate for the Retired Pay Restoration Act of 2001 (S. 170), as it was incorporated in the Senate-passed version of the 2002 Defense Authorization Act. Senator Harry Reid has introduced a similar bill in this session of Congress (S. 392, the Retired Pay Restoration Act of 2003), but we have not completed our estimate of that bill as we have only recently received updated population data from the Department of Defense and are still awaiting information on how the Department will implement the new program of special compensation for combat-related disabilities. Based on our previous estimates, we expect that legislation to allow concurrent receipt might increase direct spending for retirement payments and veterans' disability compensation by about $41 billion over the 2004–2013 period. Those costs would increase outlays for military retirement by about 9 percent and spending for disability compensation by less than 1 percent over the 10-year period. That preliminary estimate reflects our last estimate for S.170 (covering the 2003–2012 period), updated to reflect our latest assumptions about cost-of-living adjustments and adjusted to encompass the 2004–2013 period and the impact of the recently enacted program of special compensation for combat-related disabilities.

CBO's Cost Estimate for the Retired Pay Restoration Act of 2001, or S. 170

The Retired Pay Restoration Act of 2001 would have allowed individuals who have service-connected disabilities and whose retirement annuity was based on their years of service to receive both benefits without the reduction called for under current law. Individuals whose retirement pay was based on their degree of disability would have continued to forego retirement pay equal to their disability compensation payment, but only to the extent that their disability had entitled them to a larger retirement annuity than they would have received solely on the basis of years of service.

S. 170 would also have repealed the first program of special compensation mentioned earlier, which partially compensates certain severely disabled retirees for the reduction in their retirement annuities. (S. 392 would also eliminate the second special payment program that offers payments for combat-related disabilities.)

CBO estimated that enacting S. 170 would have increased direct spending for retirement payments and veterans' disability compensation by about $46 billion over the 2003–2012 period (see Table 2). CBO's estimate of the total cost of S. 170 can be broken down into four components:

- increased payments for military retirement annuities,
- increased payments for veterans' disability compensation,
- loss of premium payments for the Survivor Benefit Plan, and

• savings from repealing special compensation payments for severely disabled retirees.

In addition, the Department of Defense would have had to make payments of about $15 billion over the 2003–2012 period to the Military Retirement Trust Fund to cover the increase in future liabilities for current military personnel. The increased contributions to the retirement trust fund would have come from appropriated funds. CBO estimated the cost of this bill on the basis of uniformed services data from September 2001.

TABLE 2. CBO'S ESTIMATE OF CHANGES IN DIRECT SPENDING UNDER S. 170
(In billions of dollars)

	2003-2007	2003-2012
Increased Payments for Military Retirement Annuities [a]	18.2	43.1
Increased Payments for Veterans' Disability Compensation	1.5	3.2
Loss of Receipts from Premium Payments for the Survivor Benefit Plan	*	0.1
Repeal of Special Compensation for the Severely Disabled	-0.3	-0.7
Total	19.5	45.8
Memorandum:		
Intragovernmental Accrual Payment [b]	6.3	15.2

SOURCE: Congressional Budget Office.

NOTES: * = less than $50 million.

Numbers may not add up to totals because of rounding.

a. After updating this estimate to reflect our latest assumptions about cost-of-living adjustments and to encompass the 2004-2013 period, CBO's preliminary estimate for increased payments for military retirement annuities is $21.1 billion over the 2004-2008 period and $48.8 billion over the 2004-2013 period.

b. Implementing the Retired Pay Restoration Act of 2001 (S. 170) would have required an increase of $15.2 billion over the 2003-2012 period in the Department of Defense's annual payment to the Military Retirement Trust Fund. That intragovernmental transfer would have been made from funds appropriated to the military personnel accounts.

I will now explain how CBO estimated the cost of each component of this cost estimate.

Increased Payments for Military Retirement Annuities. Since S. 170 would have treated retirees differently based on their type of retirement—normal length-of-service (nondisability) or disability—CBO's estimate of the potential costs of the legislation depended on the number of beneficiaries, their type of retirement, their disability levels, and the benefit amounts.

Nondisability Retirees. A regular, or nondisability, retirement is granted on the basis of length of service—usually 20 or more years. Like all veterans, regular retirees are entitled to apply to VA at any time to receive disability compensation for injuries or conditions, incurred or aggravated during military service, that VA determines to be partially or totally disabling. The Retired Pay Restoration Act of 2001 would have allowed those retirees to receive full retirement annuities and veterans' disability benefits with no offset. Data from the uniformed services indicated that in 2001, the prohibition on paying both benefits concurrently caused about $2.4 billion to be withheld from annuity payments to about 511,000 DOD retirees with nondisability retirements and about 5,200 Coast Guard, 900 PHS, and 50 NOAA retirees that fall into the nondisability category. CBO estimated that caseload would rise to about 614,000 nondisability retirees in 2004 and 670,000 by 2012. Under the as-

sumption that future benefit payments would increase both from cost-of-living adjustments and because of growth in average disability levels, CBO estimated that implementing the legislation would increase direct spending for DOD nondisability retirement annuities by about $40 billion over the 2003–2012 period. The cost to the other uniformed services (non-DOD) would be $430 million over the 2003–2012 period, CBO estimated (see Table 3).

TABLE 3. ESTIMATED NUMBER OF RETIREES AFFECTED BY CONCURRENT RECEIPT IN 2012 AND COST OVER THE 2003-2012 PERIOD

	Estimated Number of Retirees in 2012	Cost of Annuities over the 2003-2012 Period (Outlays, in billions of dollars)
Nondisability Retirees		
DoD	664,000	39.7
Other uniformed services	6,000	0.4
Disability Retirees		
DoD	24,000	2.9
Other uniformed services	850	0.1

SOURCE: Congressional Budget Office.

NOTES: DoD = Department of Defense.

The uniformed services comprises members of the military, the Coast Guard, the Public Health Service, and the National Oceanic and Atmospheric Administration.

Disability Retirees. Service members who are found to be unable to perform their duties because of service-connected disabilities may be granted a disability retirement. S. 170 would have allowed disability retirees to receive retirement annuities based on their years of service and veterans' disability benefits with no offset.

A disability retirement annuity is usually the product of an individual's basic pay and his or her degree of disability. However, if the individual has 20 or more years of service and thus is also eligible for a nondisability retirement, the disability annuity may be calculated on the basis of years of service, if that calculation yields a greater annuity. Under S. 170, retirees whose disability retirement annuity is greater than the amount they are entitled to receive based on years of service would have continued to have that portion of their annuity tied solely to their disability, reduced dollar-for-dollar by the amount of their VA disability benefit. However, the offset against the rest of their retirement annuity would have been eliminated. (We will refer to this as partial concurrent receipt.) Disability retirees whose annuities are based solely on their disability (that is, those retirees with less than 20 years of service) would have continued to have their full annuities subject to reduction by the amount of the VA disability benefit.

According to DOD, 145,000 disability retirees had their annuities reduced by $1.2 billion in 2001 because of VA disability payments. Of those retirees, 22,000 who would have been eligible for partial concurrent receipt under S. 170 had their annuities reduced by $253 million. An analysis of retiree records by DOD indicates that, under criteria set forth in the legislation, those retirees would have been eligible to receive about 95 percent of their retirement annuity concurrently with their VA disability benefit. Assuming continuation of current trends in population and benefit growth, CBO estimated that, of the disability retirees who would be receiving VA disability benefits in 2003, about 23,000 would have been entitled to an additional $254 million in retirement annuities. CBO estimated the cost of partial concurrent

receipt would have been almost $3 billion over the 2003–2012 period. In addition, approximately 850 disability retirees from the other uniformed services would have been entitled to an additional $120 million over the 2003–2012 period.

Increased Payments for Veterans' Disability Compensation. Enactment of the Retired Pay Restoration Act of 2001 would have provided an incentive for some military retirees who are eligible for, but not currently receiving, veterans' disability to apply for those benefits. Before VA and DOD began to work together to make applying for VA benefits a part of the separation process, retirees who felt that they had a compensable disability had to apply to VA after leaving the military and arrange for a VA physical. If retirees were successful in obtaining the disability benefit, they would be able to partially offset their retirement pay with an equal amount of nontaxable veterans' benefits. But if retirees felt that they were likely to receive a low disability rating, the tax advantage might not have been a sufficient motive for them to go through the VA's approval process. If concurrent receipt was approved, however, the incentive for retirees to apply to VA for disability benefits would grow significantly. CBO estimated that, as a result, outlays for veterans' disability compensation under S. 170 would have increased by just over $3 billion over the 2003–2012 period.

CBO expects that those additional benefits would have gone to two groups:

- disability retirees who had little incentive to go to VA as their retirement annuity was already nontaxable, and
- nondisability retirees with relatively minor disabilities.

Data from DOD indicate that 54,000 disability retirees of the uniformed services—52,000 from DOD and about 2,000 from the other uniformed services—do not currently receive disability benefits from VA that they are probably qualified to receive. Because many disability retirees are not taxed on their annuities, they have no incentive under current law to apply for the tax-free VA benefits, as they would be offset, dollar for dollar, against their retirement annuities. S. 170 would have provided a significant incentive for the more disabled of those individuals to apply for disability benefits from VA. CBO estimated that about 15,300 disability retirees might have been eligible for concurrent receipt under the Retired Pay Restoration Act of 2001, but, because many of those retirees are both disabled and quite elderly, CBO expected that only about half of that number would become aware of this improved benefit and successfully complete the application process. On the basis of retirees' DOD-assessed degree of disability, CBO estimated that outlays for disability compensation would have increased by $1.5 billion over the 2003–2012 period for increased benefits for disability retirees.

CBO also assumed that, had S. 170 passed, additional nondisability retirees would also apply for and receive disability compensation. CBO estimated that enacting S. 170 might cause the percentage of nondisability retirees receiving disability benefits from VA to increase gradually from its 2001 level of 34 percent to 45 percent by 2012. Although CBO's baseline already anticipated that type of rise over the next 10 years without concurrent receipt, CBO assumed that under S. 170, that level would be reached some years sooner. CBO estimated the increased outlays for veterans' disability compensation payments to nondisabled military retirees would have been $1.6 billion over the 2003–2012 period.

Loss of Receipts from Premium Payments for the Survivor Benefit Plan. Many retirees have a Survivor Benefit Plan (SBP) premium payment deducted from their retirement annuity. The SBP was established in Public Law 92–425 to create an opportunity for military retirees to provide annuities for their survivors. Those retirees who are not receiving a paycheck from DOD because their retirement annuity is totally offset by their VA disability benefit may still participate in the SBP by paying the monthly premium to the U.S. Treasury. Those payments are recorded as offsetting receipts (a credit against direct spending) to DOD. According to DOD, approximately 34,000 military retirees paid $23 million in SBP premiums to the Treasury in 2001. DOD also indicated that about $14 million of that amount was paid by about 15,300 retirees who would begin to receive annuity checks under S. 170. CBO's estimate of the increase in retirement outlays presented above assumes that the SBP premiums of retirees who benefit from the legislation would be deducted from the retirees' annuities, and their payments to the Treasury would cease. Under the assumption that current trends in population and benefit growth would continue, CBO estimated that those offsetting receipts would decrease by about $190 million over the 2003–2012 period.

Repeal of Special Compensation for Severely Disabled Retirees. The Retired Pay Restoration Act of 2001 also would have repealed a special compensation program for disabled retirees that was then paying a fixed benefit of $50 to $300 a month to certain uniformed services retirees who were determined to be 60 percent to 100

percent disabled within 4 years of their retirement. On the basis of information from DOD and the assumption that population growth trends would continue, CBO estimated that about 36,000 DOD retirees and about 600 retirees of the other uniformed services would receive an average monthly benefit of $150 in 2002 and higher amounts in subsequent years. The savings from repealing this program would have been $710 million over the 2003–2012 period, CBO estimated.

Effect of Enacting the Retired Pay Restoration Act of 2001 on Spending Subject to Appropriation. The military retirement system is financed in part by an annual payment from appropriated funds to the Military Retirement Trust Fund, based on an estimate of the system's accruing liabilities. If S. 170 had been enacted, the yearly contribution to the trust fund would have risen to reflect the added liability from the expected increase in annuities to future retirees. Using information from DOD, CBO estimated that enacting this legislation would have increased such payments by about $15 billion over the 2003–2012 period, assuming appropriation of the necessary amounts.

CBO's Cost Estimate for the Program of Special Compensation for Certain Uniformed Services Retirees with Combat-Related Disabilities

Some of the potential costs of S.170 were eliminated by enactment of section 636 of the National Defense Authorization Act for Fiscal Year 2003, which mandated payments from the personnel accounts of the uniformed services to certain of their retirees who are affected by the ban on concurrent receipt. Under the special compensation program, which DOD must implement by June 2003, retirees of the uniformed services will be eligible to receive payments if they served for 20 years or longer, have a service-connected disability that is related to the injury for which they received a Purple Heart, or have an injury that was incurred as a result of certain duty- or combat-related activities. Last December, CBO estimated that the cost of the new combat-related program, net of the savings from the other special compensation program, will be about $6 billion over the 2003–2012 period. We estimated these costs before DOD had the opportunity to develop the regulations needed to implement the program. Thus, our estimate of the cost of implementing the program could change significantly depending on the type of injuries DOD decides to cover and the amount of documentation the Department requires retirees to submit.

Under current law, retirees who are eligible for compensation under this program and under a similar program that partially compensates certain severely disabled retirees would not be allowed to receive both benefits. Because the older program offers compensation that is significantly less than the full VA offset offered by the program that provides compensation for combat-related disabilities, costs of the older program should decrease, as retirees who are eligible for both switched to the newer program.

The law authorizes benefits for two categories of retirees from the uniformed services. Both groups must have served for 20 or more years and have a qualifying combat-related disability. The first group is composed of Purple Heart recipients whose disabilities are rated at 10 percent or greater and are related to the injury for which they received the Purple Heart. The second group is composed of retirees whose disabilities are rated as 60 percent or greater and whose service-connected disability can be attributed to one of the following causes or situations:

- as a direct result of armed combat,
- while engaged in hazardous service,
- in the performance of duty under conditions simulating war, or
- through an instrumentality of war.

CBO estimates that about 35 percent of the benefits paid under this special compensation program would go to about 20,000 Purple Heart recipients; the remainder would be paid to about 20,000 other retirees.

Other Adjustments

CBO also updated last year's cost estimate for S. 170 to reflect our latest economic assumptions and to encompass the 2004–2013 period. Our estimates of increases in the consumer price index, which drive our assumptions for cost-of-living adjustments applied to retirement pay and veterans' disability compensation have fallen from what we assumed in last year's estimate. That change reduces our estimate of full concurrent receipt by $500 million over the 10-year period. Conversely, dropping the relatively low costs for 2003 and adding the higher costs for 2013 adds $2.9 billion to the estimate.

Senator CHAMBLISS. Thank you, Ms. Jennings.

Ms. Merck.

STATEMENT OF CAROLYN L. MERCK, FORMER SPECIALIST IN SOCIAL LEGISLATION, CONGRESSIONAL RESEARCH SERVICE (CRS), THE LIBRARY OF CONGRESS (AND COAUTHOR OF THE CRS REPORT, MILITARY RETIREMENT AND VETERANS' COMPENSATION)

Ms. MERCK. Good afternoon, Mr. Chairman and members of the subcommittee. My name is Carolyn Merck, and I am pleased to have the opportunity to present my statement to you today. I recently retired from my position as a specialist in social legislation with the Congressional Research Service. Therefore, today I am representing myself.

Ten years ago, when concurrent receipt was an issue before Congress, the conference report accompanying the Fiscal Year 1993 National Defense Authorization Act required CRS to prepare a report analyzing precedents for concurrent receipt of military retired pay and veterans compensation. I participated in preparing that report, and my statement today draws from it.

Although the CRS analysis was done 10 years ago, program rules have not changed. Therefore, the study remains valid. Under proposals to permit full concurrent receipt of military retired pay and veterans disability compensation, the two benefits would flow to an individual based on the same period of employment, the same job, and the same employer. This employment period concept is key to the issue.

It is instructive to ascertain if concurrent receipt is permitted for beneficiaries of other public programs, particularly whether disabled Federal civilian employees may receive concurrently a Civil Service retirement benefit and a disability benefit based on the same period of Government service.

The CRS study identified 25 pairs of programs under which individuals might be eligible for benefits from both programs. Of these, 17 program pairs pay benefits derived from the same period of employment. In 13 of those 17 program pairs, Congress legislated offsets or limits on combined payments in order to avoid overly generous benefits or to prevent program abuse. Only four program pairs for which benefits flow from the same employment permit full concurrent receipt. In these cases, Congress expressly combined benefits under two programs in order to achieve what they consider to be income adequacy, or gave little thought to the effect of the combined benefits.

In addition, the study notes that benefits from nonmilitary disability programs are virtually always limited in some way when a disabled person is also eligible for retirement benefits or has other income. However, Congress has excluded VA compensation from limitations or income caps applicable to other disability beneficiaries. Unlike all other disability programs that are intended to compensate for lost earnings or earning capacity, VA compensation is not reduced if the recipient has earned income. The policy is intended to preserve the work incentives of disabled veterans.

Some advocating full concurrent receipt say that disabled Federal Civil Service workers may receive concurrently both disability and retirement benefits. This is not accurate. Federal workers who became disabled from any cause and who are determined by the Office of Personnel Management to be unable to perform their Fed-

eral job may retire, regardless of age, and draw a fully taxable retirement annuity. Retirement benefits based on disability are payable for the duration of the disability or life, but end if the annuitant has earnings above a certain amount.

Benefits for disabled Federal civilian workers whose disability is directly related to their Federal job are payable under the Federal Employees Compensation Act, or FECA. FECA is the Workers' Compensation program for Federal personnel, and is administered by the U.S. Department of Labor. Benefits are tax-free.

There are two types of FECA benefits. Most FECA payments, known as nonschedule awards, are earnings replacement benefits, and paid monthly as a percentage of prior salary for the term of the disability or until death. Because payments are intended to replace lost earnings, they are reduced by the amount of any earned income. Recipients who also qualify for Federal retirement, based either on disability or age, must choose to receive either the FECA nonschedule award or the retirement annuity, but may not receive both. It is a strictly a one-or-the-other choice.

So-called schedule awards under FECA are indemnity payments for permanent, specific physical losses generally resulting from injury such as loss of an arm. Unlike nonschedule FECA benefits or VA compensation, FECA schedule awards are not compensation for lost earnings. Payments are limited to a certain number of weeks, and the amount is based on the extent of the physical loss and the employee's previous Federal pay. They are paid regardless of whether the individual works and draws a salary, retires and draws a Civil Service annuity, or is also awarded nonschedule FECA benefits for lost earnings.

A situation some say is a precedent for concurrent receipt applies to individuals who: (a) retire from a military career and draw retired pay; (b) are eligible for veterans compensation; and (c) become Federal Civil Service employees and work until eligible for retirement from the Civil Service. Such individuals may elect to combine their military service years with their civilian service years by waiving their military retired pay and applying their combined years of service to the computation of their Civil Service annuity.

Although they must make a cash deposit into the civilian retirement system, it may be financially advantageous to do so for those whose civilian service started before 1984 and who are covered by the Civil Service Retirement System (CSRS). That is, their retirement income would be larger than their military retired pay and their CSRS if paid separately. Moreover, because such retirees do not receive benefits from the miliary retirement system once it is folded into their Civil Service annuity, there is no offset if they also receive veterans compensation.

Some say it is inequitable to reduce military retired pay by the amount of VA compensation received by retirees who do not become Federal civilian workers or who do not waive their military retired pay while no offset applies to those with second careers in the Civil Service and who do waive their retired pay. They would resolve that inequity by paying both benefits concurrently and in full.

Others disagree, and suggest two reasons why this atypical situation is not a precedent on which changing the offset system should be based. First, the group to whom it applies is small, and declin-

ing in size, and should eventually disappear because it benefits only military retirees who started their Civil Service jobs before 1984 and are covered under the now-closed CSRS.

Those joining the Civil Service in 1984 and thereafter are covered by the newer Federal Employees Retirement System under which the low benefit accrual rate makes combining service years disadvantageous. Second, they suggest that, as an alternative, any inequities should be resolved at savings to the Government by applying the offset of VA compensation against the Civil Service annuities of those who benefit financially by combining their military and Civil Service years.

Thank you. That concludes my statement. I would be glad to answer your questions.

[The prepared statement of Ms. Merck follows:]

PREPARED STATEMENT BY CAROLYN L. MERCK

Good afternoon, Mr. Chairman and members of the subcommittee. My name is Carolyn Merck, and I am pleased to have the opportunity to present my statement today. I recently retired from my position as a Specialist in Social Legislation with the Congressional Research Service (CRS), but today I am representing only myself.

Ten years ago, when concurrent receipt was an issue before Congress, the Conference Report accompanying the Fiscal Year 1993 National Defense Authorization Act required CRS to prepare a report analyzing precedents for concurrent receipt of military retired pay and veterans' compensation. I participated in preparing that report, and my statement today draws from it. Although the CRS analysis was done 10 years ago, program rules have not changed, and the study remains valid.[1]

Under proposals to permit full concurrent receipt of military retired pay and veterans disability compensation, the two benefits would flow to an individual based on the same period of employment, the same job, and the same employer. This employment period is the key factor. It is instructive to ascertain if concurrent receipt is permitted for beneficiaries of other public programs, particularly whether disabled Federal civilian employees may receive concurrently a Civil Service retirement benefit and a disability benefit based on the same period of government service.

CRS STUDY FINDINGS

The CRS study identified 25 pairs of programs under which individuals might be eligible for benefits from both programs. Of these, 17 program pairs pay benefits derived from the same period of employment. In 13 of those 17 program pairs, Congress legislated offsets or limits on combined payments in order to avoid overly generous benefits or to prevent program abuse.[2]

Only four program pairs for which benefits flow from the same employment permit full concurrent receipt.[3] In these cases, Congress expressly combined benefits under two programs in order to achieve what they judged to be income adequacy (e.g., VA/DIC plus Social Security survivor benefits for widow(er)s of deceased veterans), or gave little consideration to the effects of combined benefits (e.g., military retired pay plus Social Security retirement benefits).

In addition, the study notes that benefits from nonmilitary disability programs are virtually always limited in some way when a disabled person is also eligible for retirement benefits or has other income. (This is true for private disability benefits

[1] *Military Retirement and Veterans' Compensation: Concurrent Receipt Issues,* by Robert L. Goldich and Carolyn L. Merck, CRS Report 95–469F, April 7, 1995.

[2] The 13 program pairs under which benefits derive from the same employment and for which Congress legislated offsets, limits, or choice between benefits are: Civil Service retirement plus time-limited FECA scheduled awards; Federal, State, and local disability plus Social Security disability; FECA plus Federal judicial survivors benefits; unemployment compensation plus Social Security; FERS disability retirement plus Social Security disability; military SBP and Social Security survivor benefits for spouses age 62+; Federal CSRS plus Social Security based on military service for retirees age 62+; military retired pay plus veterans compensation; military SBP plus DIC; black lung benefits plus workers' compensation; unemployment compensation plus pension income; military nondisability retired pay and military disability retired pay; CSRS or FERS plus FECA non-schedule awards.

[3] These four program pairs are: military retired pay plus Social Security; FERS retirement plus Social Security; DIC plus Social Security survivor benefits; veterans compensation plus unemployment compensation.

as well.) However, Congress has excluded VA compensation from limitations or income caps applicable to other disability beneficiaries.[4] Unlike all other disability programs that are intended to compensate for lost earnings or earning capacity, VA compensation is not reduced if the recipient has earned income, a policy intended to preserve work incentives for disabled veterans.

PRECEDENTS IN FEDERAL CIVIL SERVICE DISABILITY PROGRAMS

Some advocating full concurrent receipt say that disabled Federal Civil Service workers may receive concurrently both disability and retirement benefits. This is not accurate.

Federal Civil Service Disability Retirement

Federal workers who become disabled from any cause and who are determined by the Office of Personnel Management to be unable to perform their Federal job may retire regardless of age and draw a fully taxable retirement annuity. Retirement benefits based on disability are payable for the duration of the disability or for life, but end if the annuitant has earnings above a certain amount.

Federal Employees' Compensation Act

Benefits for disabled Federal civilian workers whose disability is directly related to their Federal job are payable under the Federal Employees' Compensation Act (FECA). FECA is the workers' compensation program for Federal personnel and is administered by the U.S. Department of Labor. Benefits are tax-free.

There are two types of FECA benefits. Most FECA payments, known as "non-schedule awards," are earnings replacement benefits, paid monthly as a percentage of prior salary for the term of the disability or until death. Because payments are intended to replace lost earnings, they are reduced by the amount of any earned income. Recipients who also qualify for Federal retirement, based either on disability or age, must choose to receive either the FECA non-schedule award or the retirement annuity, but may not receive both. It is strictly a one-or-the-other choice.

So-called "schedule awards" under FECA are indemnity payments for permanent, specific physical losses generally resulting from injury (such as loss of an arm). Unlike non-schedule FECA benefits or VA compensation, FECA schedule awards are not compensation for lost earnings. Payments are limited to a certain number of weeks, and the amount is based on the extent of the physical loss and the employee's previous Federal pay. They are paid regardless of whether the individual works and draws a salary, retires and draws a Civil Service annuity, or is also awarded non-schedule FECA benefits for lost earnings.

WAIVER OF MILITARY RETIRED PAY BY FEDERAL CIVIL SERVICE RETIREES

A situation some say is a precedent for concurrent receipt applies to individuals who: (a) retire from a military career and draw retired pay; (b) are eligible for veterans compensation; and (c) become Federal Civil Service employees and work until eligible for retirement. Such individuals may elect to combine their military service years with their civilian service years by waiving their military retired pay and applying their combined years of service to the computation of their Civil Service annuity. Although they must make a cash deposit into the civilian retirement system, it may be financially advantageous to do so for those whose civilian service started before 1984 and who are covered by the Civil Service Retirement System (CSRS). That is, their retirement income would be larger than their military retired pay and their CSRS, paid separately. Moreover, because such retirees do not receive benefits from the military retirement system, there is no offset if they also receive veterans compensation.

Some say it is inequitable to reduce military retired pay by the amount of VA compensation received by retirees who do not become Federal civilian workers, or who do not waive their military retired pay, while no offset applies to those with second careers in the Civil Service and who do waive their retired pay. They would resolve that inequity by paying both benefits concurrently, in full.

Others disagree and suggest two reasons why this atypical situation is not a precedent on which changing the offset system should be based. First, the group to whom it applies is small and declining in size and should eventually disappear because it benefits only military retirees who started their Civil Service jobs before 1984 and are covered under the now closed CSRS. Those joining the Civil Service in 1984 and thereafter are covered by the newer Federal Employees Retirement Sys-

[4] For example, the cap on Social Security disability benefits for persons with other public disability benefits does not take veterans compensation payments into account.

tem (FERS), under which the low benefit accrual rate makes combining service years disadvantageous. Second, they suggest that, as an alternative, any inequity should be resolved, at savings to the Government, by applying the offset of VA compensation against the Civil Service annuities of those who benefit financially by combining their military and Civil Service years.

Thank you, Mr. Chairman. This concludes my prepared statement. I will be glad to answer your questions.

Senator CHAMBLISS. Thank you. Ms. Bascetta.

STATEMENT OF CYNTHIA BASCETTA, DIRECTOR, VETERANS HEALTH AND BENEFITS, GENERAL ACCOUNTING OFFICE

Ms. BASCETTA. Thank you, Mr. Chairman, Senator Nelson. I appreciate the opportunity to discuss the complex issues surrounding retirement pay and disability compensation for those who served our country in the military. We owe them all a huge debt. Our hearts and minds are certainly focused today on those engaged in combat in Iraq.

To help in your deliberations on special compensation and concurrent receipt, I would like to talk briefly about the use of offset provisions in other programs, the estimated costs, including the potential impact on VA, and the broader issue of the need for fundamental disability reform that could serve as a context for your decisions.

You have heard a lot today about offsets from Ms. Merck, and I will not repeat what she said. I would simply add that our work shows that these offsets that she is pointing out are very common not only in Federal, but in State and private sector programs as well.

The cost of eliminating offsets would certainly be significant. You have heard CBO's 10-year estimate. Over longer-time horizons, the even greater financial liability heightens concerns about the long-term fiscal consequences of growing Federal entitlements.

Moreover, eliminating the military retirement offset provision could establish a costly precedent for other Federal disability programs. Other costs we noted would take the form of increased demand on VA's claims processing system, which is currently struggling to improve longstanding problems with quality assurance and timeliness.

While VA has made recent progress under Secretary Cooper's direction, it still takes about 200 days, on average, to process a veteran's disability claim. VA's administrative challenges and the costs of new benefits may not provide sufficient bases to retain the offset, but we believe they warrant consideration in weighing this matter.

Finally, Federal disability programs, including VA's, face more fundamental problems that limit their ability to provide meaningful and timely support to their beneficiaries. This January, GAO placed these programs on our high risk list because they are in urgent need of attention and transformation to ensure that they function as efficiently and effectively as possible.

We are concerned, for instance, that VA's disability rating schedule, the same schedule DOD uses, has not been updated since 1945, despite obvious changes in the nature of work. For example, in an increasingly knowledge-based economy, are mental impairments adequately compensated? Do physical impairments, such as the loss of an extremity, still reduce earnings capacity by 40 to 70

percent? These outdated concepts persist, despite advances in medicine and science that have redefined the relationship between impairments and the ability to work.

At the same time, the projected slowdown in labor force growth and the Americans With Disabilities Act make it imperative that those who can work are supported in their efforts to do so. In this context, modifying concurrent receipt would add to the current patchwork of Federal disability policies at a time when modernization should be considered. While we are not taking a position on modifying the offset, we believe it would be appropriate to consider how it would affect the pursuit of more fundamental reform.

That concludes my remarks, and I would be happy to try to answer your questions.

[The prepared statement of Ms. Bascetta follows:]

PREPARED STATEMENT BY CYNTHIA A. BASCETTA

Mr. Chairman and members of the subcommittee: Thank you for inviting me to discuss issues involved with the concurrent receipt of military retirement pay from the Department of Defense (DOD) and disability compensation from the Department of Veterans' Affairs (VA). Pending legislation would modify current law, which requires that military retirement pay be reduced by the amount of VA disability compensation benefit received. You asked us to discuss the treatment of concurrent benefit receipt in other programs as well as our broader work on Federal disability programs.

To help you in your deliberations on this matter, I will explain the use of offset provisions in other Federal benefit programs as well as in state and private sector programs. I will also discuss some of the implications of modifying the concurrent receipt provisions for the VA disability compensation program. In addition, I will address the more fundamental problems facing VA's disability program. My statement is based on a review of GAO reports on Workers' Compensation, Social Security, and VA benefit programs and other literature relating to DOD retirement and VA disability compensation. I will also draw on our broader work on Federal disability programs, which we recently designated as high-risk because they are not well positioned to provide meaningful and timely support to Americans with disabilities (see Related GAO Products). Our work for this testimony was conducted in March 2003, in accordance with generally accepted Government auditing standards.

In summary, three factors are important to weigh in your deliberations on the merits of modifying the military retirement offset provision. First, many benefit programs use offset provisions when individuals qualify for benefits from more than one program. The use of offset provisions in numerous benefit programs is a common method for dealing with the consequences of beneficiaries qualifying for more than one benefit program. The rationales for these offset provisions vary, but they are generally designed to treat beneficiaries of multiple programs fairly and equitably in relation to all other program beneficiaries, consistent with the program's purpose. Moreover, eliminating the military retirement offset provision could establish a precedent for other Federal benefit programs that could prove costly. Second, the proposed modifications to the concurrent receipt provisions in the military retirement system would have implications not only for DOD's retirement costs, but would also increase the demand placed on VA's claims processing system. This would come at a time when this system is still struggling to correct problems with quality assurance and timeliness. Third, the VA disability compensation program, along with other Federal disability programs, is facing the need for more fundamental reform. Modifying the concurrent receipt provision would add to the current patchwork of Federal disability policies and programs at a time when transformation and modernization should be considered. While we are not taking a position on whether the military retirement offset provision should be modified, as Congress and other policymakers deliberate this issue, it would be appropriate to consider how modifying the offset would affect the pursuit of more fundamental reforms.

BACKGROUND

Generally, DOD provides longevity retirement pay to military service members upon completion of 20 creditable years of active duty service. DOD also provides dis-

ability retirement pay to eligible service members who are determined unfit for duty—that is, unable to perform their military duties. To qualify for military disability retirement, the service member's disability must have been determined by DOD medical personnel to be permanent and the service member must have (1) at least 20 years of creditable service or (2) an evaluation board determination that the service member has a physical disability rating of at least 30 percent,[1] and either at least 8 years of creditable service or a disability resulting from active duty. Nearly 1.5 million retired service members received retirement and disability retirement pay in fiscal year 2002. In fiscal year 2000, the average disability retiree who had been an officer received about $2,022 per month, while the average enlisted disability retiree received about $698 per month.

VA provides monthly disability compensation to veterans who have service-connected disabilities to compensate them for the average reduction in earnings capacity that is expected to result from injuries or diseases incurred or aggravated by military service. The payment amount is based on a disability rating scale that begins at 0 for the lowest severity and increases in 10-percent increments to 100 percent for the highest severity. Many veterans claim multiple disabilities, and veterans can reapply for higher ratings and more compensation if their disabilities worsen. For veterans who claim more than one disability, VA rates each claim separately and then combines them into a single rating. About 65 percent of compensated veterans receive payments based on a rating of 30 percent or less and about 8 percent are rated at 100 percent. Average monthly compensation payments in 2002 ranged from about $100 for a 10-percent rating to over $2,100 for a 100-percent rating.

Military retirees with disabilities incurred during their military service may receive military retirement pay (based on either longevity or disability, whichever is more financially advantageous to the service member) from DOD and disability compensation from VA. For example, a service member who incurs a disability may still be fit for duty, depending on the nature and severity of the impairment. If that service member completes 20 years of creditable service, he or she may retire based on longevity and also qualify for VA disability compensation for the same impairment or a different impairment that is also service-connected. Similarly, a service member who incurs a disability and is found unfit for duty may receive military retirement pay based on disability if he or she meets additional eligibility requirements. This service member may also qualify for VA disability compensation for the same impairment or a different impairment that is also service-connected.

Current law requires that military retirement pay be reduced ("offset") by the amount of VA disability benefits received. In 1891, Congress passed legislation to prohibit what it regarded to be dual compensation for either past or current service and a disability pension. Despite the reduction in military retirement pay, it is often to a retiree's advantage to receive VA disability compensation in lieu of military retirement pay. These VA benefits provide an after-tax advantage because they are not subject to Federal income tax, as military retirement pay generally is. In addition, the disability compensation VA pays can be increased if medical reevaluation of the retiree's condition is found by VA to have worsened. Because VA disability compensation is based on the severity of the disability and not on actual earnings (as is military retirement pay), the VA benefit may, in some instances, be larger than the amount of military retirement pay.

For certain retirees with serious disabilities, the National Defense Authorization Act of 2000 provides a cash benefit that is less than what they would have received through concurrent receipt of their military retirement pay and VA disability compensation. The statute states that these special compensation payments are not military retirement pay. As such, they are not subject to the offset provisions, and the legislation did not change the statute that prohibits concurrent receipt. The special compensation payments were reauthorized in 2001 and 2002.[2]

In addition, the 2003 National Defense Authorization Act (P.L. 107–314) authorized a new category of "special compensation" for retirees with disabilities, including those who received a Purple Heart or have a disability due to "combat-related" activities. Under the new law, eligible retirees would now be able to receive the financial equivalent of concurrent receipt, although, again, the legislation did not repeal

[1] A disability rating is essentially an indication of medical severity of an impairment: the more severe the medical condition, then the higher the percentage of the disability rating, which can range from 0 to 100 percent.

[2] The monthly dollar amounts of "special compensation" at each disability level of 70 percent or more will increase by $25 per month on October 1, 2004.

the statute prohibiting concurrent receipt.[3] Military retirees may become eligible for this special compensation if (1) their disability is attributable to an injury for which the member was awarded the Purple Heart, and is not rated less than a 10-percent disability by DOD or VA; or (2) they receive a disability rating of at least 60 percent from either DOD or VA for injuries that were incurred due to involvement in "armed conflict," "hazardous service," "duty simulating war," and through an instrumentality of war.[4] Retirees who are eligible under this new special compensation category will no longer be entitled to the special compensation payments first enacted in 2000. The Congressional Budget Office (CBO) estimated that this new special compensation would cost about $6 billion over 10 years.

Table 1 shows the 2003 monthly payments amounts of the special compensation enacted in 2000 as well as the monthly payment amounts for the new category of special compensation.

Table 1: Special Compensation Monthly Payment Amounts for Service-Connected Disabilities in Addition to Military Retirement Pay

VA disability rating	2003 payment amounts for special compensation enacted in 2000	2003 payment amounts for new category of special compensation[a]
60%	$50	$790
70%	$100	$995
80%	$125	$1,155
90%	$225	$1,299
100%	$325	$2,163

Source: Congressional Research Service and Department of Veterans Affairs.

[a]Payment is equivalent to the base amount of the VA disability compensation for each rating category. Amounts do not reflect allowances for eligible family members. The table does not reflect payment amounts for eligible Purple Heart recipients with disability ratings of less than 60 percent.

Current proposals before Congress pertaining to concurrent receipt would, if enacted, expand the number of those eligible to simultaneously receive the equivalent of their full retirement pay and compensation for a disability beyond the 2003 National Defense Authorization Act. CBO estimated that an earlier version of these proposals would cost about $46 billion over 10 years. Over a longer time horizon, the additional financial liability would be of even greater significance because of mounting concerns about the long-term fiscal consequences of Federal entitlements.

MANY PROGRAMS USE OFFSET PROVISIONS WHEN INDIVIDUALS ARE ELIGIBLE FOR BENEFITS FROM MORE THAN ONE PROGRAM

Among the programs that provide benefits to individuals based on their previous work experience or their inability to continue working because of disability, many use offset provisions when an individual qualifies for benefits under more than one program. The specific rationales for these offset provisions vary, but they generally focus on restoring equity and fairness by treating beneficiaries of more than one program in a similar manner as beneficiaries who qualify for benefits under only one of the programs. Table 2 provides examples of benefit programs that include offset provisions. (See app. I for a description of these programs.)

[3]As before, the statute states that these special compensation payments are not military retirement pay. As such, they are not subject to the offset provisions.

[4]To date, regulations have not been promulgated to implement this provision, including definitions for these terms.

Table 2: Examples of Offset Provisions in Benefit Programs

Social Security benefits may be offset by
• Receipt of social security retirement or disability benefits based on own record (reduces spousal or dependent benefits)
• Government pension based on non-Social Security-covered employment
• Workers' compensation
• Disability benefits from non-Social Security-covered employment
• Black Lung benefits
Railroad Retirement benefits may be offset by
• Social Security benefits
• Workers' compensation
• A husband or wife's own railroad retirement or disability benefits (reduces their spousal benefits)
• A government pension based on non-Social Security-covered employment
Black Lung benefits may be offset by
• Workers compensation
• Unemployment insurance
Federal Employees Retirement System benefits may be offset by
• Eligibility for federal workers compensation
• Social Security disability benefits
Workers' Compensation benefits may be offset by
• Social Security benefits
Unemployment compensation benefits may be offset by
• Social Security and private pension benefits
Private disability insurance may be offset by
• Social Security benefits

Source: GAO analysis of Congressional Research Service and GAO reports.

Some programs use offset provisions to ensure that the total benefits received from two programs do not exceed the total income received while working. For example, the Social Security Disability Insurance (DI) program provides benefits to insured persons to replace the income lost when they are unable to work because of physical or mental impairments. In addition to DI benefits, some individuals may also be eligible for workers' compensation (WC) if the illness or injury is work-related. WC benefits are designed to replace the loss of earnings resulting from work-related illnesses or injuries. Each state and the District of Columbia generally requires employers operating in its jurisdictions to provide WC insurance for their employees.[5] The Social Security Administration (SSA) generally requires that DI benefits be reduced for persons who also receive WC.[6] This offset applies when combined DI and WC benefits exceed 80 percent of the injured worker's average current earnings. The reduction can apply even if the DI and WC benefits are for unrelated injuries or illnesses. In 1971, the Supreme Court validated the WC offset provision stating that it was intended to provide an incentive for injured employees to return to work because Congress did not believe it was desirable for injured workers to receive disability benefits that, in combination with their WC benefits, exceeded their preinjury earnings.[7]

Some programs use offset provisions to adjust benefit computation formulas that were not originally designed to account for individuals or their dependents working

[5] These programs established a mechanism to pay injured workers predictable levels of compensation without delay. Although WC programs exist in all states, the programs are not federally mandated, administered, or regulated. Rather, they evolved throughout the 20th century under state laws with the support of labor and management.

[6] SSA cannot offset disability benefits if the state WC program allows the insurers to reduce the amount of WC benefits they would normally pay to an injured worker when the worker also receives Social Security DI benefits. In 1981, Congress limited recognition of such exceptions to the 14 states that had established them by Feb. 18, 1981.

[7] Richardson v. Belcher, 404 U.S. 78 (1971).

under more than one retirement system. An example is Social Security's Government Pension Offset (GPO) provision, enacted in 1977 to equalize the treatment of workers covered by Social Security and those with government pensions not covered by Social Security. The Social Security Act requires that most workers be covered by Social Security benefits.[8] In addition to paying retirement and disability benefits to covered workers, Social Security also generally pays benefits to spouses of retired, disabled, or deceased workers. Although state and local government workers were originally excluded from Social Security, today about two-thirds of state and local government workers are covered by Social Security.[9] Prior to 1977, a spouse receiving a pension from a government position not covered by Social Security could receive a full pension benefit and a full Social Security spousal benefit as if he or she were a nonworking spouse. The GPO prevents spouses from receiving a full spousal benefit in addition to a full pension benefit earned from noncovered government employment.[10]

Offset provisions are also used by state governments. For example, 29 states and the District of Columbia permit insurers to reduce WC cash payments when the beneficiary also receives other types of benefits, such as those from Social Security retirement, survivor, or disability programs or from government or private pension plans. In addition, as required by Federal law, states must deduct from unemployment compensation the value of pensions, retirement pay, or annuities based on previous work in certain situations. The purpose of this offset is to reduce the incentive for retirees who receive pensions to file for unemployment compensation and increase their incentive to seek work.

Private sector insurers also use offsets. Our study of three large private disability insurers [11] found that nearly two-thirds of those receiving private long-term disability benefits from the three private insurers also received DI benefits.[12] In such cases, the private disability benefit payments were generally reduced by the amount of the DI benefit payment.

MODIFYING THE CONCURRENT RECEIPT PROVISIONS HAS IMPLICATIONS FOR THE VA DISABILITY COMPENSATION PROGRAM

In addition to the cost of the benefits, allowing concurrent receipt would have implications for VA program management. Allowing concurrent receipt of military retirement pay and VA disability compensation could provide new incentives for military retirees to file for VA compensation or to seek increases in their disability ratings for VA compensation that they are already receiving. These new claims could further tax VA's claims processing system. We recently reported that VA faces long-standing challenges to improve the timeliness and quality of disability claims decisions. In addition to creating delays in veterans' receipt of entitled benefits, untimely, inaccurate, and inconsistent claims decisions can negatively affect veterans' receipt of other VA benefits and services, including health care, because VA's assigned disability ratings help determine eligibility and priority for these benefits.[13] While the cost of these new benefits and VA's administrative challenges in processing the claims may not provide sufficient bases to retain the offset, they warrant consideration in weighing this matter.

VA DISABILITY PROGRAMS FACE FUNDAMENTAL PROBLEMS

While VA has had difficulty making decisions in a timely and consistent manner, VA's disability programs also face more fundamental problems. Our concerns about the long-standing challenges that VA faces in claims processing contributed to our recent decision to place Federal disability programs, including VA's programs, on our high-risk list of programs that need urgent attention and transformation to ensure that they function in the most economical, efficient, and effective manner pos-

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[8] Workers contribute to Social Security through payroll taxes.

[9] Starting in the 1950s, State and local governments had the option of selecting Social Security coverage for their employees or retaining their noncovered status. In 1983, State and local governments in the Social Security system were prohibited by law from opting out of it.

[10] If both spouses worked in positions covered by Social Security, each may not receive both the benefits earned as a worker and a full spousal benefit; rather each member of the couple would receive the higher amount of the two.

[11] In 1997, these three companies covered about half of the long-term U.S. private disability insurance market.

[12] U.S. General Accounting Office, *SSA Disability: Other Programs May Provide Lessons for Improving Return-to-Work Efforts,* GAO–01–153 (Washington, DC: Jan. 12, 2001).

[13] U.S. General Accounting Office, Major Management Challenges and Program Risks: Department of Veterans' Affairs, GAO–03–110 (Washington, DC: Jan. 2003).

sible.[14] This designation was based in part on our finding that these programs use outmoded criteria for determining disability. For example, VA's disability ratings schedule is still primarily based on physicians' and lawyers' judgments made in 1945 about the effect service-connected conditions had on the average individual's ability to perform jobs requiring manual or physical labor. Although VA is revising the medical criteria for its Schedule for Rating Disabilities, the estimates of how impairments affect veterans' earnings have generally not been reexamined. As a result, changes in the nature of work that have occurred over the last half-century—which potentially affect the extent to which disabilities limit one's earning capacity—are overlooked by the program's criteria. For example, in an increasingly knowledge-based economy, one could consider whether physical impairments such as the loss of an extremity still reduce earning capacity by 40 to 70 percent.[15]

These outdated concepts persist despite scientific advances and economic and social changes that have redefined the relationship between impairments and the ability to work. Advances in medicine and technology have reduced the severity of some medical conditions and have allowed individuals to live with greater independence and function in work settings. Moreover, the nature of work has changed as the national economy has become increasingly knowledge-based. Without a current understanding of the impact of physical and mental conditions on earnings given labor market changes, VA and other agencies administering Federal disability programs may be overcompensating some individuals while undercompensating or denying benefits to other individuals because of outdated information on earning capacity. At the same time, the projected slowdown in growth of the Nation's labor force makes it imperative that those who can work are supported in their efforts to do so.

In reexamining the fundamental concepts underlying the design of Federal disability programs, approaches used by other disability programs may offer valuable insights. For example, our prior review of three private disability insurers shows that they have fundamentally reoriented their disability systems toward building the productive capacities of people with disabilities, while not jeopardizing the availability of cash benefits for people who are not able to return to the labor force. As we previously reported, to fully incorporate scientific advances and labor market changes into the disability programs would require more fundamental change, such as revisiting the programs' basic orientation from incapacity to capacity. Reorienting programs in this direction would align them with broader social changes that focus on building and supporting the work capacities of people with disabilities. Such a reorientation would require examining complex program design issues such as beneficiaries' access to medical care and assistive technologies, the benefits offered and their associated costs, and strategies to return beneficiaries to work. Moreover, reorientation of the Federal disability programs would necessitate the integration of the many programs and policies affecting people with disabilities, including those of DOD and VA.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions that you or the other subcommittee members might have.

CONTACTS AND ACKNOWLEDGMENTS

For further information regarding this testimony, please contact me at (202) 512–7101 or Carol Dawn Petersen at (202) 512–7215. Suit Chan, Beverly Crawford, and Shelia Drake also contributed to this statement.

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[14] U.S. General Accounting Office, High-Risk Series: An Update, GAO–03–119 (Washington, DC: Jan. 2003).

[15] GAO–03–110. VA recognizes that there have been significant changes in the nature of work, but does not believe that these changes need to be reflected in the disability ratings. VA contends that the disability rating schedule, as constructed, represents a consensus among Congress, VA, and the veteran community, and that the ratings generally represent an equitable method to determine disability compensation. We continue to believe, as we have said in the past, that the current estimates of the average reduction in earning capacity should be reviewed. Further, we believe that updating disability criteria is consistent with the law. U.S. General Accounting Office, SSA, and VA Disability Programs: *Re-Examination of Disability Criteria Needed to Help Ensure Program Integrity,* GAO–02–597 (Washington, DC: Aug. 9, 2002).

Appendix I. Benefits and Eligibility Requirements for Programs Containing Offset Provisions

Program	Benefits provided	Eligibility
Social Security benefits	Cash benefits to workers and their dependents who qualify as beneficiaries under the Old-Age Survivors, and Disability Insurance (OASDI) programs of the Social Security Act. OASDI replaces a portion of earnings lost as a result of retirement, disability, or death.	The worker and his/her eligible family members must meet different sets of requirements for each type of benefit. An underlying condition of payment of most benefits is that the worker has contributed to Social Security for the required period of time.
Social Insurance for Railroad Workers (Railroad retirement benefits)	Cash benefits to retired or disabled railroad workers, their dependents and survivors. Railroad workers may also receive sickness and unemployment benefits.	Railroad worker must have had at least 120 months of creditable railroad service or 60 months of creditable railroad service if such service was performed after 1995.
Coal Mine Workers' Compensation (Black Lung benefits)	Cash benefits to coal miners who have become totally disabled due to coal workers' pneumoconiosis, and to widows and other surviving dependents of miners who have died of this disease	Coal miner must have worked in the nation's coal mines or a coal preparation facility and become totally disabled from pneumoconiosis.
Federal Employees Retirement System	Cash benefits to retired or disabled federal employees, and survivors of federal employees and retirees.	Federal employees whose initial federal employment began after December 31, 1983, or who voluntarily switched from Civil Service Retirement System (CSRS) to FERS. The worker must have at least 5 years of creditable civilian service. Survivor and disability benefits are available after 18 months of civilian service
Workers' Compensation	Various cash and medical benefits to workers injured while working or who have occupational diseases.	Specific eligibility requirements and benefit amounts vary from state to state.
Federal-State Unemployment Insurance Program (Unemployment compensation)	Temporary financial assistance to eligible workers who are unemployed through no fault of their own and are actively engaged in job search.	Worker must meet the state requirements for wages earned or time worked during an established period of time, and be determined unemployed through no fault of his/her own, and meet other eligibility requirements of his/her state law.
Private disability insurance	Short- or long-term disability insurance, or both, to replace income lost by employees because of injuries and illnesses.	Specific eligibility requirements vary from plan to plan.

Source: GAO analysis of Congressional Research Service and GAO reports.

Related GAO Products

Social Security: Congress Should Consider Revising the Government Pension Offset "Loophole." GAO-03-498T. Washington, D.C.: February 27, 2003.

Major Management Challenges and Program Risks: Department of the Veteran Affairs. GAO-03-110. Washington, D.C.: January 2003.

High-Risk Series: An Update. GAO-03-119. Washington, D.C.: January 2003.

Veterans' Benefits: Claims Processing Timeliness Performance Measures Could Be Improved. GAO-03-282. Washington, D.C.: December 19, 2002.

Veterans' Benefits: Quality Assurance for Disability Claims and Appeals Processing Can Be Further Improved. GAO-02-806. Washington, D.C.: August 16, 2002.

SSA and VA Disability Programs: Re-Examination of Disability Criteria Needed to Help Ensure Program Integrity. GAO-02-597. Washington, D.C.: August 9, 2002.

Veterans' Benefits: Despite Recent Improvements, Meeting Claims Processing Goals Will Be Challenging. GAO-02-645T. Washington, D.C.: April 26, 2002.

Workers' Compensation: Action Needed to Reduce Payment Errors in SSA Disability and Other Programs. GAO-01-367. Washington, D.C.: May 4, 2001

SSA Disability: Other Programs May Provide Lessons for Improving Return-to-Work Efforts. GAO-01-153. Washington, D.C.: January 12, 2001.

Senator CHAMBLISS. Ladies, I thought I understood this issue, and you all have scrambled my brain. [Laughter.]

Ms. Merck, I want to go back to your comments about FECA. Who actually participates in this program, and walk through with me what you said with respect to credit of military service under this program, what they do, and what would happen if we provide for full concurrent receipt?

Ms. MERCK. Starting with what the FECA program is?

Senator CHAMBLISS. Yes, ma'am.

Ms. MERCK. The FECA is the work-related disability program for Federal employees. It is somewhat analogous to veterans' compensation.

Senator CHAMBLISS. Is it a Workers' Compensation for Federal employees?

Ms. MERCK. Workers' Compensation for Federal employees, since Federal employees are not covered by their State Workers' Compensation programs in their Federal jobs.

Senator CHAMBLISS. Okay.

Ms. MERCK. Therefore, it compensates them for illness or injury incurred on their Federal job.

Senator CHAMBLISS. Okay.

Ms. MERCK. There are two components of that program. One is intended to be strictly indemnity payments, and generally these

are for loss of a physical extremity, for example, and that is paid for a limited number of weeks. You can almost think of it as a lump sum payable in installments over some period of time that ends.

The other is, the nonschedule awards is for lost earning capacity, not necessarily for loss of a physical member or part of your body. It is intended to be replacement, income replacement, and is payable for the duration of the disability or to death, and is similar to Workers' Comp.

With regard to the other group of people who are military retirees who do their 20 or more years, retire from the military, draw their retired pay, then become a Federal Civil Service employee, under a provision in current law. When they become eligible to retire from their Federal Civil Service job, which is a minimum of 5 years (very often it is much more in actual service), they may take Civil Service retirement. Again, let us say hypothetically it is a 20-year military career. Let us say they have had 15 years in the Civil Service. Instead of continuing to receive their military retired pay from the DOD based on their 20 years in the military and getting a Civil Service annuity based on only 15 years of service, they can have a combined benefit based on 35 years of service computed using their high-three pay as a Federal employee.

They no longer receive a check, so to speak, from the Department of Defense. They waive that. They waive it because the combination of their 15-year Civil Service and their 20 years of military gives them a Civil Service annuity under one program. The CSRS, a now-closed program, that is larger than the combination of their military retired pay had they continued to receive it, plus a 15-year annuity from the Civil Service.

Senator CHAMBLISS. What does Senator Reid's bill do to that individual?

Ms. MERCK. I do not believe it would do anything to that individual.

The issue here is, once a retiree, but military/Civil Service retiree has waived retired pay and is getting only one retirement income through the Civil Service Retirement System, he or she may draw in full their veterans compensation without any offset.

It is claimed by some that this is unfair, since part of that retirement benefit is based on military service. It is just the fact that it no longer flows through the DOD and through the military retirement system, but because there is no longer any benefit flowing from the DOD to the person. There is no provision in law to offset a Civil Service annuity by the amount of the veterans compensation, and at this point that is all a person is getting in terms of retirement income.

Senator CHAMBLISS. When does a Federal employee start becoming vested under the current retirement system?

Ms. MERCK. Five years for both the CSRS, which as I said is a closed system now, although many people are still in it—it is 5 years for both CSRS and the Federal Employees Retirement System, or FERS, as it is known.

Senator CHAMBLISS. Okay. Ms. Jennings, with respect to the assumptions which you have used in your numbers, and by the way, what would the total number be for the light blue bar graphs that

you have there? Do you have that number, as to what the cost would be?

Ms. JENNINGS. For that year, September—that was 2001. I believe the cost was around $2.6 to $2.8 billion.

Senator CHAMBLISS. With respect to the assumptions that you used in developing your numbers, I assume you heard what Secretary Cooper said about these 50,000 additional claimants that may be forthcoming under the VA. Was anything like that factored in, or did you just use the basic numbers that we have of people on the rolls today?

Ms. JENNINGS. I did include some analysis, or some additional people that would have a new incentive. This is just a snapshot of what the actual costs would have been in 2001, so no, that would not have changed, but going forward in my cost estimate, I assumed a couple of different groups of people might decide to apply for veterans disability.

The first group were people that are receiving a military disability retirement. Many of those individuals, the retirements are partially or totally tax-free, so unless they expected to get a larger benefit from VA than they were getting from their retirement, there would be no tax incentive to apply to VA for a disability benefit from them, so they would not have had cause to apply. Under concurrent receipt they would have good cause to apply, and I discovered how many of them there were at the current time and the current growth rate of that population. I assume those individuals would indeed apply for veterans compensation.

I also looked at the population of nondisability retirees. As I mentioned in my testimony, the rate of nondisability retirees applying for veterans compensation has been growing quite substantially, and so in my baseline of costs I assumed that continued growth rate regardless of whether concurrent receipt passes or not.

Under concurrent receipt, I assumed that the growth rate would accelerate somewhat, but by the end of the decade we would still be where I was predicting that we would be without concurrent receipt. That would be that 45 percent of the entire nondisability population would be receiving veterans compensation.

We have just gotten into the most recent data, the 2002 data, and I have slightly underestimated the cost in my last year's estimate. This year's estimate, when we put the new population in and look at the growth rates, will actually go up a little bit. We will see even higher growth rates than I was predicting.

Senator CHAMBLISS. Significantly higher, or minimally?

Ms. JENNINGS. Not a huge jump, but I think the 2001 cost was around $2.6 billion, if I recall. It looks to me from a preliminary look at the data that for 2002 population, had they been receiving concurrent receipt, it would have been over $3 billion, so that is a handsome growth rate, and we are projecting that that will continue.

In the late 1980s, the VA and the DOD started working together to make it easier for individuals separating from the military to apply for veterans disability. It became part of the separation process. An individual from the VA will come over to the bases and there will be a class, part of your checklist of separating is, you will

go to this class with a VA individual who will explain all your benefits.

VA began to use the DOD separation physical as their physical so you did not have to go over to VA and arrange for a separate physical, and they assisted you before you had separated in filing your application to VA. Looking at the data since that time there has been a really great increase in the percent of retirees that are applying for those benefits and receiving them, and as those new cohorts move into the population, of course, the population of military retirees is people dating back to World War II, and this is just cohorts joining that population since the late 1980s.

As they become a larger and larger part of that population, I have been expecting that the percentage would go up to something resembling what the current cohorts are receiving, but maybe—the most recent one at 56 percent, I just got that data, and that is what is making me consider that maybe 45 percent is too low, and that there will be even more people.

This is without concurrent receipt being passed, so it seems that it is not necessary for concurrent receipt being passed for lots of people to be applying to the VA, so I did not have an exceptionally large group of additional nondisability retirees applying. I think it got up to about 70,000 in 2006, and after that, I let that group kind of tail off. They were already represented within my baseline.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

Ms. Merck, it seems to be true that a Federal employee injured in his or her own Federal employment may not receive both disability and retirement benefits, but what about someone who is injured while serving in the military who then goes to work as a civilian employee of the Federal Government? If this employee retires, does he or she forfeit part or all of his or her retirement the same way that a military retiree might?

Ms. MERCK. If I follow your question, you are asking if a veteran who goes—not a military retiree, but someone who did less than 20 years goes to work for the Civil Service, that person during his or her employed years draws the VA compensation concurrently with the Civil Service salary, and then upon retirement from the Civil Service continues to draw, draws the Civil Service annuity plus the veterans compensation. If the person is injured on the Federal job and draws FECA payments and the person is eligible for either disability retirement under the Federal program or retirement based on age, they must choose either the FECA benefit or the retirement benefit, but they may not receive both.

Senator BEN NELSON. They can choose to their benefit, if one is higher than the other?

Ms. MERCK. Absolutely. That is the nature of the choice, yes.

Senator BEN NELSON. Of course, FECA is the Federal approach to a State Workers' Comp program or private enterprise employment that involves Workers' Comp.

Ms. MERCK. Yes.

Senator BEN NELSON. Then your report, although it was written in 1995, the distinction between military retired pay and pensions, I think that is an important distinction. Can you help us understand the distinction between military retired pay and a pension.

Tell us how this distinction should be considered in determining whether a military retiree should be required to forfeit part of his or her retired pay versus what they might receive in a pension?

Ms. MERCK. Now, you are talking about pensions not in the VA program sense, which is an earnings based, an income-determined program.

Senator BEN NELSON. That is correct.

Ms. MERCK. Military retired pay is not called a pension because it is considered reduced pay for reduced duties in some ways, and up to a certain age the retiree is eligible, is subject to potential recall.

It is payable earlier, military retired pay, is payable without an age constraint. It is only based on years of service, 20 years. Virtually all pension programs, as we think of them, using that term somewhat generically, as in retirement benefit for a retired worker, is virtually always age-conditioned as well as years-of-service conditioned, 55 being occasionally the age for retirement, 62. It is usually timed with Social Security, which is first payable under the Social Security Retirement System at age 62, so the military retiree, as early as age 38, for example, for someone who joins at 18, is payable immediately upon completion of 20 years and for life.

Senator BEN NELSON. Even though it is applied in a different way, is there truly a meaningful distinction between pension and retired pay, a meaningful distinction? I think they can be calculated. You can have a benefits-based, or you can have contribution-based pensions, and they are different, but I fail to see a significant difference between what a pension is and what retired pay truly is. They may kick in at different time frames and under different circumstances, but the result is still the same.

Ms. MERCK. This is an artifact of the military system, in that they have never—the term pension, which actually goes back to the Revolution when I did the history of these things, has been used differently to mean different things, and in the military world that word has come to be associated with some sort of a disability benefit. It has never been used in the military to describe retired pay, because they do—it is said that the military retired pay is actually reduced pay for reduced duties, given that you are subject to recall for a certain period of time. They do not refer to it as a pension.

Senator BEN NELSON. But even with Social Security you could have retired benefits based on early retirement. In other words, you retire at 62, you take reduced benefits.

Ms. MERCK. That is right.

Senator BEN NELSON. Very similar in that regard. I am having trouble understanding why the military draws this distinction, because the result is the same, but the way in which it seems to be applied is different.

Ms. MERCK. Let me see if I understand your question; you are asking why the military distinguishes retired pay from a pension and they do not consider——

Senator BEN NELSON. From Social Security, because it has a same, similar type of application. It may be different ages where it kicks in, it may be different levels of contribution, or no contribution.

Ms. MERCK. You could apply the word pension, no reason you could not, to the military retirement system. It is just that they do not. It is a term that is used in the veterans programs already, and so it has a certain meaning within the whole sphere of military service and veterans benefits.

It is, as I said, distinct from pension programs, which we call defined benefit pension programs, that is, programs under which the benefit is determined only by a formula, not by an accumulating account balance of contributions.

Senator BEN NELSON. As opposed to a defined contribution.

Ms. MERCK. As opposed to a defined contribution plan.

The military system has only one criteria, and that is years of service, which is 20 years of service. Virtually all other pension programs—programs that refer to themselves as pension programs—have both an age and service requirement before benefits are payable. The military sort of implicitly has that because of the earliest age at which you——

Senator BEN NELSON. Just at an earlier retirement——

Ms. MERCK.—can join the military—yes.

Senator BEN NELSON. Right.

Ms. MERCK. Yes, but they do not require that you wait until some older age, as most pension programs in the private and civilian public sector do.

Senator BEN NELSON. Okay. Thank you, Mr. Chairman.

Senator CHAMBLISS. We keep directing these questions to you, Ms. Merck, but I want you ladies to feel free to jump in. All of you have so much more expertise than we do.

Let me give you an example, going back to this situation of accumulation of years. Let us say you get an 18-year-old who goes into the military, stays there 20 years, goes to work then in a Civil Service position for 10 years. That 10 years that person is in that Civil Service position, are they eligible to draw military retirement?

Ms. MERCK. Yes.

Senator CHAMBLISS. They do draw it?

Ms. MERCK. Yes.

Senator CHAMBLISS. Now, at the end of that 10 years, they go into the private sector, they are still drawing their military compensation, they are actually eligible for Civil Service retirement with 30 years of work history.

Ms. MERCK. They may elect to do that.

Senator CHAMBLISS. Are they eligible to then draw their Civil Service retirement?

Ms. MERCK. Yes, if they then move on to a private sector employer?

Senator CHAMBLISS. Right.

Ms. MERCK. Yes, and if they become eligible under that employer's retirement system, they may draw a benefit from it the way anybody changing jobs throughout life, for employers that have retirement programs, you may always draw the benefit to which you are entitled, in addition to all your others.

Senator CHAMBLISS. Okay. Now, in addition to that, they draw retirement from their employer, but they have also paid into the Social Security system for those 15 years, so they are also eligible for Social Security benefits. Now, is there any offset other than

being able to claim the 20 years in military service, to get the Civil Service retirement? Is there any other offset involved in that scenario?

Ms. MERCK. This gets very complex. Let us take a simple case. The answer is basically no.

When Congress decided in 1956 to cover active duty military service under the Social Security system, they did so primarily to improve the adequacy of widows or widowers benefits for veterans as I recall in reading through the history of the committee's consideration of covering military service with Social Security. They wanted, as a result of the Second World War, to improve the survivor benefits to the spouses of disabled veterans, or veterans who were killed in the war, they covered active duty Civil Service with Social Security.

They realized in the backs of their minds that that would mean eventually that an active duty individual could retire, could stay for the full 20 years, draw military retirement, and draw Social Security. They decided not to think about that at the time, and so full Social Security benefits are payable in addition to full military retirement benefits based on the same period of service.

Interestingly enough, when that person dies, and if that person leaves a surviving spouse, then there is an offset.

Senator CHAMBLISS. Okay. Let me give you the same basic scenario with one exception. Let us say, instead of serving 20 years, that same individual serves 19 years and then has a significant injury that is a 40 or 50 percent disabling injury, but the same follow-on scenario is there, that they go to work in Civil Service, they are drawing a disability claim then, not a retirement claim, and then they ultimately go into the private sector. Is there an offset that would take place under that scenario since it is a disability claim versus a military retirement claim?

Ms. MERCK. Let me—if a person is drawing disability from which, the military——

Senator CHAMBLISS. Let us say, instead of retiring at the end of 20 years, at the end of 19 years.

Ms. MERCK. The person leaves the military before being vested at 20 years.

Senator CHAMBLISS. Yes, and he had a limb blown off or something, so he has a disability claim.

Ms. MERCK. Against which program, the veterans compensation program?

Senator CHAMBLISS. Yes.

Ms. MERCK. Or the military disability retirement?

Senator CHAMBLISS. A military disability claim, instead of a military retirement claim.

Ms. MERCK. If it is a case of military disability retirement, then that person draws a retirement benefit—there are two different formulas under which the military computes the benefit for the individual. It is one or the other, whichever is higher, but that person is treated like a military retiree.

Senator CHAMBLISS. So there is no difference.

Ms. MERCK. There is no difference in that.

Senator CHAMBLISS. There is no offset in either scenario?

Ms. MERCK. No.

Senator CHAMBLISS. Okay. Anything else? Ladies, we could probably sit here and listen to you all afternoon. You all are a great brain trust, and we appreciate very much your being here today and giving us your expertise. This issue is not going away, and it is an issue we are going to resolve somehow, and we would sure appreciate your continued dialogue with us, and letting us call on your expertise down the road.

Ms. BASCETTA. If I may just make a quick comment, obviously the intricacies are overwhelming, and I can understand why you feel like your brain is a bit scrambled, but if I could just for a minute offer this, I think the discussion we have just been having is a perfect example of why there are three basic things we have to keep in mind when we are trying to assure fairness, not only for military retirees and veterans, but for anybody who is in a situation where they retire with a disability.

Those three things are, what is the underlying purpose of the compensation. How do we feel about the adequacy of the benefits? What are the rationales for the offsets and are they consistent across programs? What are the interactions between the programs? In some of these cases where we have been talking about a situation where VA disability is not offset, perhaps the answer is not concurrent receipt. Looking at whether there ought to be an offset in another program to be fair. So that is why again we say that we are concerned about adding another patch to a disability policy system that really at this point is very fragmented. It could have lots of unintended consequences.

Senator CHAMBLISS. I agree with you. If we are going to look at this aspect of it, it makes sense probably to look at all other forms of compensation to see where the equities and inequities are. You make a good point.

Ladies, again, thank you very much.

Our next panel, Mr. Strobridge, Mr. Butler, and I think I mentioned Mr. Slee, but instead of Mr. Slee, he is being replaced by Colonel Dennis Duggan, which I am sorry I did not mention that earlier, Colonel Duggan, but we are sure glad to have all three of you gentlemen with us today. Thanks to you also for your significant interest in this issue, as well as your expertise. As I told our previous panels, we certainly will be glad to put into the record any written statement you would like to have inserted, and we look forward to your abbreviated oral comments.

Colonel Strobridge, we will start with you.

STATEMENT OF COL. STEVE STROBRIDGE, USAF (RET.), DIRECTOR OF GOVERNMENT RELATIONS, MILITARY OFFICERS ASSOCIATION OF AMERICA

Colonel STROBRIDGE. Thank you, Mr. Chairman and distinguished members of the subcommittee. On behalf of the 33 associations of the military coalition, I do want to thank you for holding this important hearing. Going on the last panel, when you hear things you want to add your 2 cents, and I have been scrambling through my oral notes trying to cut out some things so that I have a little more time to respond to a few of the things that I think are important.

We are encouraged that through the efforts of the committee and the committee's leaders that we have at least begun to address the current inequity in a substantive way, and we are encouraged from our discussions with Defense officials, as Secretary Abell said, that they intend to implement by the 1st of June. We do hope that there will be an aggressive outreach program. We certainly will participate in that, and we hope that the Department will work to mail applications to certain identifiable people who have high probability of being eligible.

On the legislation itself, we are concerned that last-minute changes in the eligibility language made last year excluded combat-disabled Guard and Reserve retirees. The DOD general counsel has ruled that those retirees must have 7,200 retirement points to qualify. That is the equivalent of 20 years of full-time active duty, and the coalition believes this is an unreasonable and a discriminatory requirement, given that those members by law cannot accumulate more than 90 points in any given year.

Many retired reservists, including some from Desert Storm, have been awarded Purple Hearts and have serious combat-related disabilities. Their Guard and Reserve status certainly did not protect them from being wounded, and the coalition believes strongly that they should not be discriminated against by this legislation.

Looking to the future, we share Senator Warner's view that last year's authority was a beachhead, and that much more remains to be done. A member is no less disabled in his or her quality of life, and future earnings power is no less compromised because the disability was caused by military duties that do not involve combat or weaponry.

Last year, for example, an Air Force senior NCO lost her hands when a person she had disciplined sent her a mail bomb. Other examples of disabled retirees who probably will not be covered by the current law, include a hospital corpsman who was exposed to HIV in the course of his or her duties, an MP injured while responding to an incident, or a firefighter injured in the line of duty.

The coalition's ultimate objective remains the same as that endorsed by 90 percent of the House and 83 percent of the Senate last year—full concurrent receipt.

I would like to take issue with a few of the comments made by the previous panel. Many of the offsets mentioned in the GAO's study involve welfare aspects of Social Security and other programs that are progressive programs that are designed specifically to protect people with low incomes. Military retired pay and VA disability compensation are very different from those programs. Those are both 100 percent earned programs as a result of an individual's service, and we do not think that that is a good comparison.

Second, military service to our country is fundamentally different from civilian service. The conditions of service are much different, and so we are not convinced of the issue of consistency between military and civilian treatment. The Government has different obligations to military people than a private employer does to its workers.

Third, we do not accept the rationale of administrative burdens on the VA claims system as a rationale not to make change. That is like saying we do not want to give a pay raise because it is too

hard to reprogram the computers. In our view, the clerk's workload is certainly not more important than taking care of the disabled retirees.

Finally, on the issue of VA reform, reasonable people have been arguing over VA reform for decades. Secretary Cooper testified that the VA has, in fact, been updating their process, and are going to continue to adjust those processes. Very frankly, people are going to continue to debate these, and there will always be some people who think the VA should go farther. To us, we should not wait until that is resolved to take care of disabled retirees, because we will wait a very long time.

The other issue that I would like to address is the issue about the impact of concurrent receipt on retention. Very frankly, people on active duty, most of them do not realize that they will lose part of their retired pay if they become disabled in the course of service. What they are told, and I used to write those retention brochures when I was in the Service, if you stay 20 years, you will receive your retired pay. There is no asterisk that says, except if you become disabled. Retirees are shocked to find out there is a disability offset.

Senator Nelson, you hit the nail on the head when you were talking about a veteran who serves a few years and becomes eligible for a Federal civilian retirement. It does not take very much for that person to roll those few years of military service into the Federal retirement. They talk about not drawing two benefits for the same service. That is exactly what happens in those cases. They are receiving full Government retirement and their VA disability compensation, so you are very accurate in identifying that situation.

Sir, that took more time than I had intended to. I apologize, and I appreciate your attention.

[The joint prepared statement of Colonel Strobridge and Sergeant Lokovic follows:]

JOINT PREPARED STATEMENT BY COL. STEVEN P. STROBRIDGE, USAF (RET.) AND CMSGT. JAMES E. LOKOVIC, USAF (RET.)

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
- 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 Officers Association
- Military Chaplains Association of the United States of America

- Military Officers Association of America
- Military Order of the Purple Heart
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the Federal Government.

RESTORING EQUITY FOR DISABLED UNIFORMED SERVICES RETIREES

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.

We are particularly appreciative of your strong support in last year's effort to win concurrent receipt of retired pay and veterans disability compensation. The bipartisan support in the subcommittee and the full committee, and especially the personal intervention of Senator Warner with the White House, was essential to ensuring a positive outcome on this long-standing and hard-fought inequity.

Clearly, the Coalition was disappointed that agreement could not be reached by last year's conference committee to provide unconditional concurrent receipt in the Fiscal Year 2003 National Defense Authorization Act, and we believe the subcommittee shares that disappointment. But we very much appreciate the "first ever" provisions that will effectively eliminate the disability offset for certain retirees who were severely disabled by combat and operations-related incidents. This successful action to establish a "beachhead" in law is very significant in recognizing that military retired pay and veterans disability compensation are paid for different purposes, and one should not offset the other.

The Coalition has long held that retired pay is earned compensation for completing a career of arduous uniformed service, while veterans disability compensation is paid for loss of function and future earning potential caused by a service-connected disability.

Previous attempts to fix this inequity have all been met with the same response—the cost is too large. But, the cost to men and women in uniform who have been injured while serving this Nation is far greater. Because of cost concerns, last year's authority was limited to a very special group of disabled retirees—those injured in combat, or other combat related operations. But there are thousands of deserving disabled retirees who have been left behind.

No one disabled in the course of serving his or her country should have to forfeit an earned retirement—for years of faithful and dedicated service—in order to receive VA disability compensation for the wounds, injuries, or illnesses incurred in such service.

The Coalition believes strongly that the 90 percent cosponsorship support that existed in the 107th Congress was inconsistent with the outcome, and that further action is essential to address the grossly unfair financial penalties visited for so long on those who already have suffered most for their country—military retirees disabled as a result of their service.

The Coalition has three particular concerns as we move forward.

First, we are hopeful that the Department of Defense will exercise the full authority provided in the new law, that it will be implemented on time, and that the application and approval process will be transparent and timely.

Second, we are concerned that, during last-minute final negotiations on the Fiscal Year 2003 Defense Authorization Act, changes in eligibility language inadvertently omitted certain classes of disabled retirees who otherwise fall within the criteria enacted into law.

Third, we believe that implementation of the new law will highlight significant new inequities that illustrate why broader legislative authority is essential to pro-

vide fair treatment to those retired members who became disabled from service-connected causes during the course of their military careers.

Implementing the New Authority

Last December, representatives of the Coalition and other associations had an opportunity to meet with Defense and VA officials to discuss the numerous issues of principle and process that will have to be addressed in implementing the new special compensation rules. In the course of that meeting, we offered a number of recommendations for consideration by the Departments in constructing their implementation plan. These recommendations addressed seven different areas, as follows:

Qualification Criteria

The Coalition believes qualification guidelines:

a. Should use a rule of "substantial evidence," consistent with VA guidelines rather than placing the full burden of proof on the disabled retiree;

b. Should use VA presumptions on disabilities already determined by the VA to be associated with Agent Orange, Gulf War Syndrome, Post-Traumatic Stress Disorder, and atomic/nuclear testing;

c. Should cover any disability incurred in a combat zone;

d. Should cover secondary conditions determined by the VA to be related to b. and c. above; and

e. The Government should bear responsibility for mining DOD/VA records data for verifying information.

Due Process

The Coalition believes:

a. There should be a three-stage decision process on applications (initial decision, appeal, and review by the Board for Correction of Military Records); and

b. The applying member should have the right of representation if he/she chooses.

Timeliness

The Department of Defense:

a. Should establish a reasonable timeliness standard for completion of the approval process once an application is received; and

b. Should seek to identify types of cases in which a qualifying disability is readily verifiable and automate approval in such cases.

Consistency

The Department must establish guidelines and feedback mechanisms to ensure consistency of approvals among all Services and locations.

Outreach

The Departments of Defense and Veterans' Affairs should make concerted efforts to notify potentially eligible retirees of the new special compensation program by letter, pay statement notice, retiree newsletter items, and all other means of communication. Coalition and other associations will provide maximum publicity as well, but there are many disabled retirees who are not members of such associations. This program is too important to them not to make every effort to ensure all eligibles are informed of it.

Payments

a. Payments should be retroactive to the date of qualifying disability award or June 1, 2003, whichever is later, regardless of when a member applies for the compensation. The precedent should be the previous implementation of the Forgotten Widows Survivor Benefit Plan, which also required an application and approval process. Qualifying disabled retirees should not be penalized financially because they were late in hearing about the program.

b. If an applicant dies before processing of the application is completed, processing should be continued for payment to the survivor of any amounts (retroactive to the date of the disability award or June 1, as indicated above) the member would have been due up to the date of death.

c. If a disabled retiree dies after June 1, 2003, but before applying for the new special compensation, his or her survivor should be eligible to apply for any amounts that otherwise would have been payable to the disabled member between the effective date and the date of death.

The Coalition urges the subcommittee to request an advance letter report from the Department of Defense on its implementation progress, including the extent to which it plans to incorporate the above Coalition recommendations in that process.

Technical Exclusions from Eligibility

The Coalition is very concerned that eleventh-hour technical changes in the eligibility language of last year's special compensation compromise effectively—and we hope inadvertently—excluded certain categories of disabled retirees who otherwise meet all the criteria for payment.

First, the language change resulted in excluding virtually all National Guard and Reserve retirees with 20 years of creditable service and combat-related disabilities. This is because the DOD General Counsel has interpreted the language of the law as requiring combat-disabled Guard and Reserve retirees to have accumulated 7,200 retirement points (the equivalent of 20 years of full-time active duty) to be eligible for the special compensation. This is an unreasonable and discriminatory requirement, given that members in Guard and Reserve status may not, by law, accumulate more than 90 points per year unless recalled to full-time active duty. Until a few years ago, the annual limit was 75 points.

There are many retired reservists—including many who were recalled for Operation Desert Storm—who have been awarded Purple Hearts and who have serious combat-related disabilities. Their Guard or Reserve status did not protect them from being wounded on the battlefield, and the Coalition believes strongly that they should not be discriminated against by this legislation.

Second, there is a very limited number of otherwise qualifying disabled retirees who received nondisability retirements with 15 to 19 years of service during the drawdown of the early 1990s and who also have otherwise-qualifying combat-related disabilities. In some cases, these members qualified under the temporary early retirement authority for additional military service credit based on their subsequent employment in certain DOD-designated public service positions. These members earned their military retirement independently of their disability and should be eligible to receive the special compensation if their disabilities would otherwise qualify.

Finally, enlisted retirees who were awarded one of the top two decorations for valor are authorized an extra 10 percent in retired pay (within the maximum limit of 75 percent of basic pay). The Coalition believes strongly that the modest extra retired pay awarded these members for their combat heroism should not be subject to the disability offset.

The Military Coalition urges subcommittee leaders and members, as a minimum, to amend last year's authority to include certain otherwise-qualifying Guard and Reserve retirees, Early Retirement Authority retirees, and enlisted retirees with high decorations for extraordinary valor.

Looking to the Future

The Coalition agrees strongly with the words Senator Warner used last year in describing the new special compensation authority as a "beachhead", recognizing that more remains to be done to ensure fair treatment for thousands of deserving disabled retirees whose service-connected disabilities did not happen to occur because of combat- or operations-related conditions.

A member is no less disabled, and his or her quality of life and future earnings power are no less compromised, because the immediate cause of a significant disability was a circumstance of service that did not directly involve weaponry or enemy action. The Coalition is convinced that the implementation of the new special compensation authority will highlight both the difficulties and the inequities associated with attempts to make such distinctions among members with equally severe disabilities.

We know the subcommittee looks forward, as the Coalition does, to assessing the kinds of cases that qualify under DOD's implementation rules versus those that do not, and identifying ways to address the new inequities we believe are certain to arise.

The Coalition's ultimate objective remains the same as that endorsed by 90 percent of the House and 83 percent of the Senate last year—full concurrent receipt of uniformed services retired pay and veterans disability compensation. If an interim step is required, the Coalition believes special compensation eligibility should be extended to otherwise qualifying disabled retirees whose disabilities are directly related to their performance of their assigned military duties.

CONCLUSION

The Military Coalition reiterates its profound gratitude to the subcommittee and to the committee's leadership for the important philosophical breakthrough achieved last year in taking such a significant step toward easing the unfair financial penalties imposed on disabled uniformed services retirees. The Coalition is eager to work with the subcommittee in continued pursuit of this key goal.

Thank you very much for the opportunity to present the Coalition's views on this very important topic.

Senator CHAMBLISS. Thank you.

Master Gunnery Sergeant Butler.

STATEMENT OF MASTER GUNNERY SERGEANT BENJAMIN H. BUTLER, USMC (RET.), DEPUTY LEGISLATIVE DIRECTOR, NATIONAL ASSOCIATION FOR THE UNIFORMED SERVICES

Sergeant BUTLER. Thank you, Mr. Chairman.

Mr. Chairman, the National Military Veterans Alliance is very grateful for the invitation to testify before you today. I want to talk about the combat-related professional compensation in a bit, but I would like to talk about full concurrent receipt, since our legislative priority continues to be concurrent receipt.

Prevention of concurrent receipt became a law back in 1891 related to Mexican War veterans. As we all know, the issue of pay for Mexican War veterans is now resolved, so it is time for a change. It is simply not right that the monthly compensation for a service-connected 100 percent disabled retiree, E–8, Master Sergeant, with 23 years of service, is $16 per month less than that of a Corporal E–4 who served 4 years, and has a VA disability of 100 percent for falling off a motorcycle.

On the new special compensation, and I have heard it called CRSC today, and I will call it that, the law for CRSC passed late last year, and it gave DOD 180 days to design and implement the program. That puts the action date around 1 June for implementation. Based on that looming date, I would like to make a couple of recommendations.

First, we would like to provide more input to DOD from our constituents as they develop the implementation procedures. So far, we have had one very good meeting with the Pentagon. We would encourage more. We found that one of the best examples of interaction between DOD and the beneficiary associations was during the implementation of TRICARE for Life. The TRICARE management activity hosted close to 60 meetings, and provided us updates, and asked for our input. That interaction we feel was very valuable for both parties, and we offer this as a model that DOD might consider in their current undertaking, and from what I understand, we have one more meeting scheduled right now.

Second, we are concerned about the burden of proof that will fall on retirees. Especially those older folks that fought in World War II and Korea. We feel the burden to produce evidence that may fall on them will be a heavy one. I have heard some discussion today about some of the ways they are looking at doing that, and it sounds like we are headed in the right direction. It is something we need to keep a watchful eye on. Really, we would like to see the majority of that burden of proof placed on those who have easier access to the records.

Finally, there is a very worthy group that Colonel Strobridge mentioned. I would like to talk about it a little bit. That is our retired reservists. As it stands right now, a reservist needs 7,200 points to qualify for this special compensation. To put that in perspective, a member who spends 3 years on active duty and then switches to the Reserves, in addition to the normal Reserve time of 1 weekend per month and 2 weeks during the summer, would have to spend 41 percent of each year on active duty for 27 years. That is simply unattainable. It is particularly outrageous that this includes those reservists who have received the Purple Heart.

Representative Bilirakis has been working with the National Military Veterans Alliance and the Military Coalition on Language to correct this inequity. We strongly recommend that the law be changed to allow any reservist who qualifies for retirement and also qualifies for the CRSC to be awarded the compensation.

The bottom line on this is that although it is not full concurrent receipt, there continues to be a legislative priority for our members. Who among us can deny that the combat, combat-related disabled retirees should take the first bite of the fruit of our collective efforts. The bottom line is, it is a good start, but there is a lot of work left to do.

On one last related topic, the first group, we always must include is our widows. One recent topic that has gained much of our interest is concurrent receipt of the survivor benefit plan, and dependency and indemnity compensation, or DIC, and how it affects our widows. We call this the other concurrent receipt issue. The husbands pay for a survivor benefit plan, and when the service member dies of a service-related condition, the Government offsets this survivor benefit plan dollar for dollar by the amount of dependency and indemnity compensation the widow receives. We strongly support ending this offset.

There is a bill recently introduced by Senator Nelson from Florida. This bill, S. 585, would end the offset. The National Military Veterans Alliance strongly supports this legislation, and any legislation that takes care of those that we leave behind.

Thank you, Mr. Chairman.

[The prepared statement of Sergeant Butler follows:]

PREPARED STATEMENT BY SGT. BENJAMIN H. BUTLER

INTRODUCTION

Mr. Chairman and distinguished members of the subcommittee, the National Military Veterans Alliance (NMVA) is very grateful for the invitation to testify before you and present our views and suggestions concerning current and future issues of concern to the military community.

The Alliance was founded in 1996 as an umbrella organization to be utilized by the various military and veteran associations as a means to work together towards their common goals. The Alliance's organizations are:

American Logistics Association
American Military Retirees Association
American Military Society
American Retiree Association
American World War II Orphans Network
AMVETS National Headquarters
Catholic War Veterans
Class Act Group
Gold Star Wives of America
Korean War Veterans Foundation

Legion of Valor
Military Order of the Purple Heart
National Association for Uniformed Services
National Gulf War Resource Center
Naval Enlisted Reserve Association
Naval Reserve Association
Society of Medical Consultants to the Armed Forces
Society of Military Widows
The Retired Enlisted Association
TREA Senior Citizens League
Tragedy Assistance Program for Survivors
Uniformed Services Disabled Retirees
Veterans of Foreign Wars
Vietnam Veterans of America

The preceding organizations have almost 5 million members who serve our Nation, or who have done so in the past and their families.

The National Military and Veterans Alliance would like to thank the Personnel Subcommittee and the Full Armed Services Committee for its leadership in passing legislation last year that provides special compensation for combat, combat-related disabled military retirees and the committee's continued support of full concurrent receipt for all disabled military retirees. I would like to address these topics briefly.

CONCURRENT RECEIPT

Even with special compensation for combat, combat-related disabled military retirees, our collective efforts continue towards full concurrent receipt. The current law, which has its genesis in 1891, long before the military had a longevity based retirement system, is unfair, inequitable, and in many cases, results in disabled retirees with high VA disability ratings receiving no retired pay. For example, the monthly compensation for a service connected 100 percent disabled retiree in pay grade E–8 with 23 years of service is $16 per month less than that of an E–4 with 4 years of service whose VA 100 percent disability rating is for falling off a motorcycle.

It is unfair that the compensation for the retiree's years of military service, achievement, and disability resulting from harm's way exposure is discounted. It is especially unfair since the forfeiture requirement applies to only military retirees and not the rest of society including Federal employees and retirees of the Federal Government. This group includes the Civil Service, staff and Members of Congress, Federal judges, and members of the administration. None of them are required to forfeit their earned retirement benefits to receive veterans disability compensation payments.

We believe that retired pay is a benefit earned by completing 20 or more years of qualifying service; and, VA disability payments are compensation for loss of a body function or part. They are two separate benefits and should be paid in total separately.

Mr. Chairman, concurrent receipt became a law back in 1891, related to Mexican War veterans. As we all know, the issue of pay for Mexican War veterans is now resolved, and it is time for a change. The National Military Veterans Alliance strongly supports two key bills that will make this change, S. 392, introduced by Senator Reid from Nevada, and H.R. 303, introduced by Representative Bilirakis from Florida—both long time champions on this issue. The bottom line goal of these bills is to ensure that service-connected disabled retirees receive the full value of their earned retired pay and veterans disability compensation without an offset of either.

One final group we must always include is our widows. One recent topic that has gained much of our interest is concurrent receipt of the survivor benefit plan (SBP) and dependency and indemnity compensation (DIC) and how it affects military widows. We call this "the other concurrent receipt issue". Their husbands pay for a survivor benefit plan, and when the service member dies of a service-related condition the government offsets this survivor benefit plan dollar for dollar by the amount of dependency and indemnity compensation the widow receives—we strongly support ending this offset. There is a bill recently introduced by Senator Nelson from Florida. This bill, S. 585, would end this offset. The National Military Veterans Alliance strongly supports this legislation and any legislation that takes care of those that we leave behind.

SPECIAL COMPENSATION FOR COMBAT, COMBAT-RELATED DISABLED MILITARY RETIREES

The Fiscal Year 2003 Defense Authorization Act provides special compensation for recipients of the Purple Heart with a disability of 10 percent or higher, and retirees with a disability rating of 60 percent or higher that received that disability for illnesses, injuries attributable to combat, combat-related training, hazardous service, under conditions simulating war, or caused by an instrumentality of war. The law also retains the previously passed special pay provisions for retirees with VA disability ratings of 60 percent or more awarded within 4 years of retirement.

The law, passed late last year, gave DOD 180 days to design and implement the new program. That will put the action date for implementation around the first of June 2003. Based on this looming date—less than 3 months away, we would like to offer the following suggestions:

First, we would like to provide input to DOD, from our constituents as they develop the implementation procedures. So far, we have had one meeting with officials at the Pentagon. We would encourage more. We have found that one of the best examples of interaction between DOD and the beneficiary associations was during the implementation of TRICARE-for-Life. The TRICARE Management Activity hosted close to 60 meetings with us providing updates on the implementation process and asking for our input. This interaction was very valuable for both parties and we offer this as a model that DOD might consider for their current undertaking.

Second, we are concerned about the burden of proof that will fall on the retirees—especially those older veterans that fought in WWII and Korea. We feel that the burden to produce evidence that may fall on retirees might be a heavy one, as the records may no longer exist, or the retirees may be unaware of the process of attaining such records. We would like to see the burden of proof removed and placed on those that have easier access to the records.

Finally, there is a very worthy group that has been left out of all special pay provisions. This group is our retired reservists. As it stands right now, a reservist needs 7,200 points to qualify for the special compensation. To put this in perspective, a member who spends 3 years on active duty and then switches to the Reserves, in addition to the normal Reserve time of one weekend per month and 2 weeks during the summer, would have to spend 41 percent of each year on active duty for 27 years. This is simply unattainable. It is particularly outrageous that this includes reservists who have been awarded the Purple Heart. Representative Bilirakis has been working with the NMVA and the Coalition on language to correct the inequity. We strongly recommend that the law be changed to allow any reservist who qualifies for retirement and also qualifies for the special compensation to be awarded the compensation.

The bottom line is while this law is not the full concurrent receipt that continues to be a legislative priority for our members, who among us would deny that the combat, combat-related disabled retirees should take the first bite of the fruit of our collective efforts. This is a good start, but there is more work to do.

SUMMARY

Mr. Chairman and distinguished members of the subcommittee, we want to thank you for your leadership on these issues in past years and for holding these important hearings this year. You have made it clear that our military personnel, past and present, continue to be a high priority and you have our support in seeking successful implementation and funding of these initiatives this year.

Senator CHAMBLISS. Thank you.

Colonel Duggan, we are glad to have you and look forward to your comments.

STATEMENT OF COL. DENNIS M. DUGGAN, DEPUTY DIRECTOR FOR NATIONAL SECURITY-FOREIGN RELATIONS, AMERICAN LEGION NATIONAL HEADQUARTERS

Colonel DUGGAN. Thank you very much, Mr. Chairman, and distinguished members of the subcommittee. On behalf of its 3 million membership, the American Legion expresses its sincere gratitude to you for the opportunity to present its views with regard to the issue of the concurrent receipt of military retired pay and veterans disability compensation.

Frankly, concurrent receipt is viewed by our disabled retirees as an equity issue and frankly somewhat ironic, in that disabled military retirees who have dedicated over 20 years of service and sacrifices, including engaging America's enemies on foreign battlefields, are the only group of Government retirees that I know of not authorized to receive disability compensation from a grateful Nation. Instead, these Americans must pay for their own disability compensation from their own retirement pay, earned from longevity of service for medical retirement over 20 years.

Our disabled retirees in the American Legion hail from every State in the Union. Many of them retired as noncommissioned officers who on the average receive, we believe, on the order, say as an E–5, E–6, or E–7 on the order of $1,000 perhaps or more a month, which is well below the poverty level. In a number of cases, their disability compensation would be twice, or even more, their actual military retirement pay.

Just last night, at a well-attended American Legion National Security Forum held at the Parkville, Maryland Post, which is actually the second-largest post in the United States, it is one of 15,000 posts in the American Legion, the issue of concurrent receipt became not only the top priority, but the most egregious issue still. This is the grassroots level, the blue cap legionnaire, and invited congressional representatives were present as well, hearing from their constituents. This is a very pervasive issue. It will not go away, it will not die out, it will not disappear, as the injustice inherent therein appears perpetuated as we speak, on the battlefield.

How many of these would-be careerists in the Army, Navy, Air Force, Marine Corps, and Coast Guard are aware, as Steve Strobridge pointed out, that if they are wounded or injured or sickened, that any disabilities sustained would not be adequately compensated?

We are particularly grateful early on with Senator Harry Reid, for his adopted amendment to the Senate's budget resolution that includes language to phase out the ban on concurrent receipt for service-related injuries or illnesses rated at 60 percent or higher. Hopefully, this action by the Senate is the expansion of the so-called beachhead, brokered by Senator Warner last year, in which the combat-related special compensation pay became authorized.

With regard to that CRSC, we will analyze the implementing instructions to ensure that there is an appellate process for applicants and, in fact, whether things like PTSD, Agent Orange, and Gulf War illnesses are included in these instructions.

Mr. Chairman, we would like to report back to you at about this time next year as to the fairness and timeliness of applicants' evaluations in this process being conducted by the DOD and supported by the VA.

The American Legion believes the disabled retiree reservists and guardsmen also should be able to apply for both forms of special compensation pays. These activated reservists and guardsmen are serving shoulder-to-shoulder with their active duty counterparts and are subject to the same disabilities, illnesses, or cancers as their active duty component.

CRSC will only cover a small percentage of disabled military retirees. We need not wait to see how this goes. We must continue to press on and pass concurrent receipt.

Thank you.

[The prepared statement of Colonel Duggan follows:]

PREPARED STATEMENT BY COL. DENNIS M. DUGGAN

Mr. Chairman and distinguished Members of the Subcommittee. The American Legion is grateful for the opportunity to present its views regarding compensation for disabled military retirees in review of the Defense Authorization Request for Fiscal Year 2004. The American Legion salutes your leadership in addressing the existing unfair law, which prohibits the receipt of both military retirement pay and VA disability compensation for disabled military retirees.

In 1892, Congress enacted a law to prohibit the receipt of military pay, not retirement pay, and disability compensation. At that time, there was no retirement system and careerists continued on the rolls to retain what income they had for as long as they could. Soldiers who were wounded and injured, however, were paid compensation for their disabilities. The military retirement system, as we know it today, was formalized between the World Wars. This new retirement system provided a means to maintain the vigor of the force by allowing voluntary retirement after a minimum of 20 years active service or equivalent creditable, Reserve or National Guard service and mandatory retirement at 30 years service. Because the 1892 law only applied to military pay and not retirement pay, those disabled military retirees could draw both meager retirement pay and disability compensation.

The current law was passed in May 1944, just before the Normandy Invasion, and is the law we have today. The law continued the prohibition against military pay and disability pay, but more notably, it extended the prohibition to include military retired pay. It allowed disabled military retirees to elect to waive an amount of their retirement pay equal to their VA disability compensation payments. The only benefit from this offset is that VA disability compensation portion is not subject to Federal income tax. To most disabled retirees, this tax break is minor and in no way compensates for the loss of retirement pay offset from VA disability compensation. Disabled military retirees are the only government "employees" who pay for their own disability compensation. This is discriminating, wrong, and must be changed. There are those who argue concurrent receipt was never promised to military retirees; however, every service member who served 20 or more years of active military service was promised, at minimum, 50 percent of earned base pay upon retirement. By withholding, dollar-per-dollar, military retirement pay for like amounts of VA disability compensation, that promise is being violated.

Military retired pay is compensation for longevity of honorable military service and the associated individual hardships and sacrifices. VA service-connected disability compensation is for medical conditions incurred or aggravated while on active duty. Each earned benefit is an award by a grateful Nation for two distinct, different reasons.

Any veteran can receive VA disability compensation without any offsets, reductions, or limits with unemployment compensation; Social Security; Federal Civil Service pay; pay from a private sector job; Federal Civil Service retirement (including disability retirement); retirement pension from non-Federal jobs; and, Federal workers compensation (benefits for work-caused disability or illness provided under FECA). Only a military retiree faces an offset between military retirement pay and VA disability compensation.

America has a daily reminder from Iraq and Afghanistan of the grave sacrifices of life and limb that military men and women must endure. Each soldier, sailor, airman, or marine placed in harm's way is another potential victim of the inequity known commonly as "concurrent receipt." With legislation introduced entitled the "Retired Pay Restoration Act of 2003," S. 392, this subcommittee has an opportunity to correct the unfair law which prohibits these brave men and women from receiving both full disability compensation and military retirement pay which they justly earned and deserve.

The American Legion is ever mindful of what happened to the concurrent receipt issue during the last session of Congress. The House version of the Fiscal Year 2003 National Defense Authorization Act (NDAA) authorized concurrent receipt for those with a VA disability of 60 percent or higher and a phased-in implementation over 5 years, as funded by the adopted House Budget Resolution. The Senate version authorized full concurrent receipt for all disabled military retirees effective October 1, 2003. Congressional leaders, in the face of a threatened presidential veto that could

have killed the Fiscal Year 2003 NDAA, convinced the administration to accept a reduced package focused only on retirees with disabilities attributable to armed conflict, while engaged in hazardous service, in the performance of duty under conditions simulating war or through instrumentality of war. This newly authorized Combat-Related Special Compensation (CRSC) authorizes those with an award of the Purple Heart with a VA disability rating of at least 10 percent or those with a 60 percent disability rating or higher for other illnesses/injuries attributable to combat situations, combat-oriented training, hazardous duty, or the instrumentality of war.

Clearly, the guidelines (as described in DOD Instruction 1332.38) allow for judgment, so it is uncertain how many disabled military retirees may qualify. Different sources have offered estimates ranging from 10,000 to 30,000 eligible disabled military retirees. The authorized CRSC is preferable to the alternative of getting nothing, but it falls far short of what The American Legion believes is fair. There are still too many disabled military retirees paying for their own VA disability compensation.

The American Legion will analyze the implementing instructions when they are published and will track implementation of the new plan closely to ensure the rules are clearly written and interpreted reasonably. We will be apprised if there is an established appeal process as well as the fairness and timeliness of Department of Defense evaluations. We have already urged DOD to include PTSD, Agent Orange and Gulf War illnesses in their implementing instructions. Unlike the special compensation already in law, which provides $50 to $300 per month for certain severely disabled retirees, this new special compensation will not be capped at a specific dollar amount, and it will rise each year as the offset rises. Unlike the current $50 to $300 special compensation, which requires that a qualifying disability must have occurred within 4 years after retirement, eligibility for the new version will not be restricted by any time limit. Qualifying members will be eligible to receive either the "new" or the "old" special compensation amount, whichever is higher.

The American Legion will continue to argue that simple, equitable justice is one reason to allow concurrent receipt. Military retirees are the only Federal employees who must offset their retired pay with VA disability compensation. Also, proponents claim that the unique nature of military service, given their sacrifices and hardships, should merit these retirees receiving both military retired pay and VA disability compensation. For the past decade, many veterans' programs have been pared to the bone in the name of balancing the budget. Now military retirees must pay premiums to TRICARE for full health care coverage for themselves and their immediate family members. Many veterans' advocates feel it is time that retirees receive compensation for these fiscal sacrifices.

Often, VA service-connected disability compensation is awarded for disabilities that cannot be equated with disabilities incurred in civilian life. Military service rendered in defense, and on behalf of the Nation, deserves special consideration when determining policy toward such matters as benefits offsets. The American Legion believes it is a moral and ethical responsibility to award disability compensation to the needs of disabled veterans, given the sacrifices and hardships they incurred during honorable military service to the Nation. We are also aware that many of the disabled retirees receive retirement pay that is beneath established poverty levels and by definition in Title 38 are "indigent" veterans.

The American Legion would like to take this opportunity to express its sincere gratitude to Committee Chairman John Warner, Ranking Democratic Member Carl Levin, and Democratic Whip Harry Reid for their advocacy of concurrent receipt and the CRSC. Senator Reid, once again, has sponsored legislation calling for full concurrent receipt, which the American Legion strongly advocates. Senator Warner acknowledged that the final agreement on CRSC was much less than what the Armed Services Committees had hoped to achieve but he described it as "an essential beachhead in law" which the Committees hoped to expand in the future.

The provision for CRSC needs to be more inclusive as well. It does not remove the artificial difference between service retirement (active duty) and age retirement (Guard/Reserves) which is defined only in regulations and not in law, and it does not remove the artificial 7,200-point threshold which, also, is defined in regulations and not in law. All disabled retired reservists and guardsmen should be able to apply for either the CRSC or the severely disabled special compensation, if they are qualified by virtue of the nature and extent of their disabilities. Despite guardsmen and reservists serving shoulder-to-shoulder with their active-duty counterparts, and incurring the same disabilities, illnesses, or cancers as the active duty component, they will not be eligible to even apply for the special compensation payments authorized for their active duty retiree counterparts. The provisions for authorizing

the special compensation pays must be amended to include the eligibility of disabled retired reservists and guardsmen.

Mr. Chairman, that future is now. The American Legion urges this subcommittee, and indeed Congress, to once again adopt legislation calling for the full and rightful concurrent receipt of military retirement pay and VA disability compensation to demonstrate the Nation's gratitude to the disabled military retirees for their sacrifices. What better time, what better occasion, to express our gratitude to these veterans than during this epic war on terrorism being fought in Iraq and Afghanistan? Frankly, such an expression is long overdue.

Mr. Chairman, this concludes The American Legion's statement.

Senator CHAMBLISS. Thank you, gentlemen, and on behalf of Senator Nelson, Senator Pryor, and all other members of not just this subcommittee or this full committee, but of the United States Senate we want to say thank you to each and every one of you and all of your colleagues that have made America the greatest and freest country in the world.

Today we are reminded of the sacrifices that men and women like you who served with you were willing to make to ensure that America remains the great and free country that it is. I visited with somebody this morning, a pastor friend of mine from Georgia, and I told him that every day now I get a list, first thing every morning, of all of the wounded, captured, or killed members of our Armed Forces that are serving in Iraq today.

It is not a very pleasant thing to start out your day that way, but I just thank goodness that we have the dedicated men and women, that we have had them in the past, and we have them today. I think that sense of patriotism is what drives the three of us and every other Member of the House and Senate to try to do what we need to do to make sure that our entire veterans community receives the benefits to which they are entitled.

We have a package that we are working on now with respect to the Guard and Reserve to try to modernize things. As a part of rethinking all of our military compensation we are going to continue to work on this particular issue. We thank the three of you individually for your service, and for your work on this.

Let me ask one question to all three of you. Does the Purple Heart plus other provisions that we had in the 2003 authorization bill get the benefits from a concurrent receipt standpoint to those members of your respective organizations that you represent that need it the most? Are these, the folks who are 60 percent or greater disabled, who got the Purple Hearts, the ones that need these benefits the most?

Colonel STROBRIDGE. I think the answer to that is yes, sir. We have discussed this at some length last year, recognizing when it was unlikely we would get the entire package. We had a great deal of discussion. I think there is a broad consensus that the people who are most severely disabled are the ones that we need to take care of first.

Certainly the combat disabled have the greatest emotional response. The one thing I think we would urge is, let us not forget that we do have very severely disabled people who did not happen to get it in combat. We believe those folks—including the people, the examples that I mentioned, are the next priorities.

Sergeant BUTLER. It is a great first step, as I said in my testimony. They should be the ones to take the first bite of the fruit of our collective efforts, we support that, but it is just a beginning.

Colonel DUGGAN. I think I would echo that, also. It is a small number, comparatively speaking, particularly in the American Legion. However, the 60 percent or more disabled are, in fact—there are a lot of them. There are just an awful lot of them, and unfortunately, or fortunately as the case may be, they are not combat-related in many cases, but every bit as disabled.

Senator CHAMBLISS. Senator Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman. I want to thank each of you for your commitment to advocacy for this very important issue on behalf of your colleagues. I want to assure you that we will continue to work on this. It is pretty clear, with the troops in combat right now, with an all-voluntary military, with an emphasis on recruitment and retention, that we want to take care of the kind of benefits and the kind of support that is necessary and send a clear message that we truly do care. If there is a disability as a result of military combat, whereas, and you say a disability that occurs while you are in the military, that this country cares enough to take care of its veterans. I hope you will take the message back to your members that we are very sincere about this. We are going to work hard and diligently to get something accomplished.

It seems from time to time we get a bite out of the apple, and we get another bite out of the apple—we are going to continue to do that until we have consumed the apple. Please bear with us but also continue to put the pressure on. It is important.

Thank you, Mr. Chairman.

Senator CHAMBLISS. Thank you.

Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman. I just have one general question really for all three of you. You have heard the Department of Defense rationale for why they are opposed to this. I do not need to go into the various reasons, there are four or five reasons they are opposed to it. I would just like to hear your comments on why you—I hate to say why you think the Department of Defense is wrong, but why you disagree with the Department of Defense? Why you think we should pass the concurrent receipt?

Colonel STROBRIDGE. Sir, I think you can discuss a lot of details and compare a lot of things, but it all boils down to, are you comparing apples and oranges. We believe military service is fundamentally different from Civil Service. From civilian service that when you earn your retired pay, you have earned your retired pay, and you have not earned it any less if you happen to become disabled. That whatever compensation we provide for a disability on top of retirement should be paid on top of the retirement, and most of the other issues are rationales for, we do not want to pay for it.

Sergeant BUTLER. As Secretary Abell said, we do agree to disagree on this issue, but from our standpoint it is simply the right thing to do.

Colonel DUGGAN. I do not have much more to add to that. The cost thing is just incredible. The costs have been paid already, and they are paying for their own disability compensation. I can't see a cost part. It is going to cost, and the longer it is put off, the more expensive it is going to cost. Although we are losing disabled retirees, too, at a tremendous rate, World War II vets, Korean vets

alone on the order of 1,500 or so a day, give or take. That is a lot of people.

Senator PRYOR. Yes, I agree with you.

Colonel DUGGAN. So that is one way the problem will go away. It is not the right way to take care of it, though.

Senator PRYOR. I just want you all to know that I agree with the three of you, and as much respect as I have for the DOD and all the great things they do and we work with them every day in this committee and we are proud of what they do, not just right now, but all the time, but I agree with you all on this, and I want to try to help you.

Mr. Chairman.

Senator CHAMBLISS. Again, gentlemen, thank you very much for your testimony. I appreciate the testimony of all of our witnesses today. This has been an excellent review of the issue, and a good opportunity to hear some new perspectives on a key issue affecting military retirees. We will keep your comments and concerns in mind as we review the Fiscal Year 2004 Defense Authorization Request. I look forward to working with you down the road, and thank you for your participation today.

I want to close our hearing by expressing support for our troops during these challenging times and ensuring them and their families that this subcommittee is going to strive to provide them with the most comprehensive support package possible.

I would like to also state that Senator McCain was unable to be here today, but he has sent a statement in full support of concurrent receipt. He has been a strong advocate of this for many years. That statement will be inserted in the record.

[The prepared statement of Senator McCain follows:]

PREPARED STATEMENT BY SENATOR JOHN MCCAIN

Mr. Chairman, my distinguished colleagues, for over 10 years now I have been engaged in fighting for a cause which I feel strongly about—the discrimination of disabled veterans who must forego retirement benefits. Current law requires a career military service member who retires for length of service and is disabled, to offset his or her retirement pay with any VA disability compensation the member receives. Because the career military service member receives no separate payment for his service connected disability, our government is effectively requiring career military retirees to fund their own disability benefits. I believe it is our duty, as elected officials, to correct this gross inequity.

I first introduced legislation on concurrent receipt all the way back in 1992. Then again in 1993, then again in 1994, then again in 1995. In 1999, I drafted legislation that became law—as a compromise measure—that paid special compensation pay for severely disabled military retirees with disabilities greater than 50 percent. Here we are in 2003 with an opportunity to rectify a problem that has plagued our veterans and to rectify it, once and for all, for all military retirees who have become disabled during their military service.

I know personally the character of Americans who take up arms to defend our Nation's interests and to advance our democratic values. I know of all the battles, all the grim tests of courage and character, that have made a legend of the Army, Navy, Marine Corps, and Air Forces devotion to duty.

Let me remind this subcommittee of the grave sacrifice that our men and women who risk their lives for their country must endure. The United States has exerted military force more than 280 times since the end of World Ward II. We are even now engaged not only in the war on terrorism, but in combat operations in Iraq that may well continue for some time.

Once again our young men and women are defiantly heading into harms way with the understanding that we, as the lawmakers of this great Nation, will ensure they are taken care of as citizens and as veterans for their actions above and beyond the call of duty.

We now have an opportunity to show a measure of our gratitude to the brave men and women who have served this country in the past, and to make a statement to those men and women who continue to serve, especially now, during military operations to liberate Iraq.

The existing law as it stands is simply discriminatory and wrong. Concurrent receipt is, at its core, a fairness issue, and present law simply discriminates against career military people who have been injured or disabled while in conduct of their duties while in defense of this great Nation. Retired veterans are the group of Federal retirees who are required to waive their retirement pay in order to receive VA disability compensation.

In my view, the two pays are for very different purposes: One for loyal and selfless 20-year service to our country. The other for physical or mental 'pain and suffering' occurred in that service to country.

For years, Mr. Bilirakis introduced legislation in the House of Representatives to correct this long-standing inequity. I first drafted concurrent receipt legislation as ranking member of this very subcommittee in 1991, and introduced it with my dear friend and former chairman of the Personnel Subcommittee, Senator John Glenn, in 1992.

The Retired Pay Restoration Act has received strong bipartisan support in Congress with 396 cosponsors in the House and 82 cosponsors in the Senate.

The Military Coalition, an organization of 33 prominent veterans' and retirees' advocacy groups representing 5.5 million veterans, supports this legislation, as do many other veterans' service organizations, including the Veterans of Foreign Wars, American Legion, and Disabled American Veterans.

For the brave men and women who have selected to make their career in the U.S. military, they face an unknown risk. If they are injured, they will be forced to forego their earned retired pay in order to receive their VA disability compensation. In effect, they will be paying for their own disability benefits from their retirement checks.

We have a unique opportunity to redress the unfair practice of requiring disabled military retirees to fund their own disability compensation. We need full concurrent receipt for all military retirees. It is time for us to show our appreciation to the men and women who have sacrificed so much for our great Nation.

I thank the Chairman for calling this hearing today for all service members past and present. The testimony by our witnesses may provide the critical foundation to how this committee will act later this year when we draft the National Defense Authorization Act for Fiscal Year 2004.

Senator CHAMBLISS. Also, we have a statement from the Fleet Reserve Association that also will be inserted in the record.

[The information referred to follows:]

PREPARED STATEMENT BY THE FLEET RESERVE ASSOCIATION

INTRODUCTION

Mr. Chairman and other distinguished members of the subcommittee: The Fleet Reserve Association (FRA) is grateful for the opportunity to present its views on the concurrent receipt of military retired pay and veterans disability compensation.

First, however, the Association extends sincere gratitude to the subcommittee for its outstanding efforts these past 4 years in enhancing life in the military for the Nation's service members and their families. The result has been nearly miraculous. Recruiting and retention is at its highest since the advent of the all-volunteer force. The "magic" spun by this subcommittee has enriched quality of life for the men and women who serve or will serve or have retired from the Armed Forces of the United States.

With 135,000 members strong, FRA presents a well-deserved salute to the subcommittee for, among others, adopting the repeal of the 1986 retirement system, providing "targeted" pay increases for NCOs and Petty Officers in the grades of E5 thru E9, and initiating the Tricare for Life program of health care.

The subcommittee's commitment to service members, their families, and retired military veterans is unmatched. Thanks for doing a superb job.

CONCURRENT RECEIPT

The Fiscal Year 2003 National Defense Authorization Act (NDAA) authorizes a special compensation that establishes a 'beachhead' to authorizing full concurrent receipt, a term for the payment of both military non-disability retired pay and any

VA compensation for service-connected disabilities without a reduction in one or the other payment.

Currently, the receipt of VA compensation causes a like reduction to a retired service member's military retired pay. This leads to the belief that retired service members, earning retired pay as a result of 20 years or more of service, are forced to pay for their own disablement.

Most disabilities are recognized after the service member retires. Some are discovered while the member is still on active duty or as the result of a retirement physical. However, it is to the benefit of the Department of Defense to retire the member without compensation for any disability. Instead, the member is directed to the Department of Veterans' Affairs for compensatory relief for the damages incurred by the member while serving the Nation in uniform.

Prior to 1975, all military disability pay was tax exempt. A perception of abuse to the system, mostly in the Armed Forces senior grades, caused Congress to amend the Internal Revenue Code. The Tax Reform Act of 1976 forced the Department of Defense to change the rules so that only a percentage of the member's disability retired pay attributable to combat-related injuries would be tax-exempt. Subsequently, many retiring service members petitioned the VA for relief for service-connected injuries.

Service members, whether in uniform or retired, are considered Federal employees subject not only to Title 10, U.S. Code, but Title 5, U.S. Code, regulating the conduct and performance of government employees, on the job or retired. When retired they are not entitled to VA compensation payments for their disabilities without forfeiting an equal amount of their retired pay with one exception. Military retirees may go on the Federal employee rolls and subsequently retire using military service time to calculate their Federal retirement annuity. They, then, may receive veterans' compensation as well as Federal Civil Service retirement payments with no offsets, reductions, or limits. FRA questions why the current law discriminates against the military retiree?

Recommendation: The Fleet Reserve Association encourages Congress to take the helm and fully authorize and fund concurrent receipt of military non-disabled retirement pay and veterans compensation program as currently offered in S. 392, introduced by Sen. Harry Reid (NV), and H.R. 303, a bill introduced by Rep. Mike Bilirakis (FL). Congress should remember that U.S. service members not only had a major hand in the creation of this Nation, but have contributed more than any group to the military and economic power of the United States for more than 200 years. Those who have served in the Armed Forces for 20 years or more certainly deserve the opportunity to have equity with their counterparts in the Federal service who can earn both without a penalty to one or the other.

CONCLUSION

FRA is grateful for the opportunity to submit this statement. If there are questions or the need for further information, please call Bob Washington, FRA Director of Legislative Programs, at 703–683–1400.

Senator CHAMBLISS. With that, the hearing will stand adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR MARK PRYOR

ACCURACY OF DISABILITY PAY

1. Senator PRYOR. Secretary Abell and Secretary Cooper, this may be a question more appropriately addressed to both of you. I have some understanding of the procedures followed to determine eligibility for disability pay. Would you both give a broad outline of the procedures and mechanisms in place both at the field level and at the Department level to ensure those who receive disability pay are those who are meant to receive disability pay?

Secretary ABELL. The Department of Defense (DOD) Disability Evaluation System is comprised of: medical evaluation, physical disability evaluation, appellate review, counseling, and final disposition. The two major elements are the Medical Evaluation Board (MEB) and the Physical Evaluation Board (PEB). Members with a medical condition that may not be appropriate for continued military duty are referred to the local Medical Treatment Facility (MTF) who initiates an MEB. The MEB, consisting of three medical doctors, reviews the entire record and ensures all required testing is completed and documented. The MEB does not make any fitness determination. It merely determines if the member meets medical retention standards. The MEB provides documentation of the member's complete medical status.

If the member does not meet retention standards, the case is then referred to an informal PEB. The PEB consists of two line officers and one doctor who conduct a review of the record and make a finding of fit/unfit based on whether the medical condition prevents the service member from performing his or her duties. The PEB also determines rating of the disability based on DOD guidance and from the Veterans' Affairs Schedule for Rating Disability, as required by law.

If the service member accepts this determination, he or she is separated or retired with compensation as appropriate. The member has a statutory right to appeal the finding and request a formal PEB with the member, counsel, and witness in attendance (if the member desires). Appeals after the formal PEB may be made through the Service Disability Agency, Board for Correction of Military Records, or through the court system.

Once the Service has processed a member for disability retirement, there is a well-established process that the Service follows to provide a detailed transmission of information from the branch of Service to the Defense Finance and Accounting Service (DFAS) to certify all retirement particulars used to set up a retirement account that will form the basis for continuing retired pay to the member. DFAS conducts extensive reviews for consistency and validity. If the member goes to the Department of Veterans' Affairs (VA) and receives disability compensation, a data exchange between VA and the Defense Department results in offsets to military retired pay. These data exchanges may also lead to a determination that a member is entitled to Special Compensation for Severely Disabled retirees.

Secretary COOPER. VA has many systems and processes in place to ensure the accurate determination of service-connected disabilities and proper rate of payment of disability benefits.

VA's claim process begins when a veteran initiates a compensation claim by filing an application with a local VA regional office. VA obtains the veteran's service medical records and, if relevant, the veteran's military personnel records. Based on information provided by the claimant, VA obtains information and evidence to substantiate the claim, most often in the form of medical records from VA medical facilities, private physicians, or records from other Federal agencies. If necessary, to decide entitlement to compensation, VA provides the claimant with a medical examination or obtains a medical opinion. This examination is useful to determine the degree of disability of the service-connected condition.

After VA obtains all the information and evidence to substantiate a claim for service-connected compensation, VA uses a rating schedule to determine the disability evaluation to assign to a particular condition. The rating decisions are reviewed and signed by both the decision maker and another rating specialist. The award is entered into the Benefits Delivery Network (BON), VA's electronic payment processing system, by a Veterans Services Representative (VSR). During this process, the record is reviewed to verify certain critical facts; for example, the veteran's military retirement status. BON has system edits to prevent the entry of data that is inconsistent with the law and well-defined business rules.

The award of benefits is reviewed and approved by a Senior VSR. If the award results in a retroactive payment of $25,000 or more, a third review and signature is required to release payment.

VA has additional quality controls to ensure the appropriateness of current and future payments.

a. Quality reviews are performed at both the local and national level.

b. VA conducts data integrity matches with other departments and agencies, including the Defense Finance and Accounting Service, the Internal Revenue Service, and the Social Security Administration. Such efforts allow us to compare retired pay and SBP payment records, for instance, in order to reconcile discrepancies. .

c. A physical record of all correspondence and evidence accumulated with respect to all claims filed by that veteran or his dependents is maintained in his/her VA claims file.

DETERMINING SERVICE-CONNECTED DISABILITIES

2. Senator PRYOR. Secretary Abell and Secretary Cooper, how do you determine "service-connected disabilities" at the base or on the battlefield and how are the ensuing reports turned into benefits at the Department of Veterans' Affairs? You might also add a few words about the graduated scale of disability, i.e. the difference between a 10 percent disability and a 50 percent disability, and the benefits that result from those disabilities.

Secretary ABELL. A member separated (at the base or on the battlefield) as a result of disability, whether retired or not, may go to the VA and apply for disability compensation for any service-connected disabilities. Generally, the member's medi-

cal record forms the initial basis for determining VA disability compensation. The VA evaluates and determines what compensation is applicable from the Veterans' Affairs Schedule for Rating Disability (VASRD). Any VA payment results in offsets to military retired pay or has offsets to reflect any separation payments from the Service.

The difference between a 10 percent disability and a 50 percent disability is the extent of the disability as measured against these VASRD standards, which were originally based on what impact the disability had on the veteran's income potential. A 10 percent disability has less impact on income potential than a 50 percent disability, thus resulting in less disability compensation. The VASRD schedule is also used to determine disability percentages for service disability retirements.

Regarding benefits from DOD, a member found unfit for duty due to physical disability is entitled to disability severance pay or military retired pay. If the member has less than 20 years of service and the disability is less than 30 percent, the member will be separated with disability severance pay equal to 2 months of basic pay for each year of service, up to a maximum equal to 2 years of basic pay. If the disability is 30 percent or more or the member has over 20 years of service, the member receives military disability retirement pay based on the greater of either longevity (2.5 percent times years of service times the base-final pay or high-3 average) or disability (disability percentage times the base). Disability retired pay is tax-exempt if the member was in service or retired before September 25, 1975. For those who were not qualified on that date, their disability retired pay is tax-exempt if their disability meets certain criteria for being combat-related or the member could have obtained compensation from the VA.

Secretary COOPER. For some service members whose claims are processed at VA's Benefits Delivery at Discharge (BDD) sites, VA makes the determination that certain disabilities are service connected at or around the time of discharge. Otherwise, determinations on veterans' claims are made at VA regional offices based on service military records. These records generally contain evidence of disabilities that may have been incurred in Service, including locations at military bases or on the battlefield.

A determination that a medical condition is service connected requires all of the following:

a. The applicant must be discharged from active duty under conditions other than dishonorable;

b. Evidence must show that the applicant has a current disability incurred in or aggravated by military service;

c. The in-service incurrence or aggravation is documented in the service medical records or other proper documentation. However, for combat-related disabilities where documentation may be limited or missing, certifications of fact by service persons having personal knowledge of the incident are acceptable;

d. Presumptions of service connection may be applied to certain kinds of disabilities, that have been determined to be related to particular kinds of service, such as the POW experience, Gulf War and Vietnam service, or exposure to radiation in service.

e. Once the evidence has established a service connection, a Rating VSR uses the VA Schedule of Rating Disabilities to determine the degree of disability.

The rating schedule provides for ten grades of disability, beginning with 10 percent and ending with 100 percent, representing as far as is practicable, the average impairment in earning capacity in civil occupations resulting from disability. It is organized by a body system, with each system containing lists of specific diseases and medical conditions, each assigned a diagnostic code. Each disease or medical condition is described in terms of its symptoms signifying degrees of disability. The greater and more severe the symptoms, the higher the disability rating. The maximum disability evaluation that can be assigned for a particular medical condition varies depending on the disabling effects of its symptoms. For instance, diabetes that is managed by a restricted diet warrants a 10-percent evaluation, whereas, diabetes requiring a restricted diet, regulation of activities, and insulin injection would merit a 60 percent evaluation.

INCREASED WORKLOAD WITH THE ENACTMENT OF CONCURRENT RECEIPT

3. Senator PRYOR. Secretary Cooper, what changes would be necessary for your Department to handle the increased workload the enactment of concurrent receipt would create?

Secretary COOPER. VA would require additional full-time employees to handle the increased workload associated with the enactment of full concurrent receipt benefits.

While there is no certain way to quantify the number of new claims we can expect, we know that out of a total military retiree population of about 2,000,000, almost 700,000 retirees or about 35 percent receive VA compensation. In our cost estimating for last year's concurrent receipt proposal we assumed that tax advantages and the general awareness of concurrent receipt would result in 700,000 new claims for compensation over a 5-year period. Additionally, we estimate that approximately 118,000 retirees currently receiving benefits would apply for an increased evaluation due to concurrent receipt over a 5-year period. Collectively, this level of claims activity would require a cumulative FTE of 5,027 employees to process the increased workload. The first year following enactment would require 2,514 FTE of that total to process the initial claims activity.

VA's experience is that lengthy military service (i.e., more than 13 years) is highly correlated with the incurrence of service-connected disabilities. Having large numbers of additional retirees placed in VA pay status will also mean a significant increase in account maintenance activities.

[Whereupon, at 5:50 p.m., the subcommittee adjourned.]

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